THE QUÉBEC MANUFACTURING AND TRADE SECTORS IN 1991

Québec

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Ministère de l'Industrie, du Commerce
et de la Technologie
Direction générale de
l'analyse économique
**Direction de l'analyse
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HIGHLIGHTS

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THE OVERALL ECONOMIC SITUATION IN 1991

CALENDAR OF EVENTS IN NORTH AMERICA

- Early in the year, the fear of a major oil shock and the effects of the recession that began in 1990 markedly affected the economic situation.
- Starting in February, the allied victory in Iraq renewed the optimism of economic agents. A modest but genuine economic recovery prevailed in the second and third quarters.
- The economic upswing was not as extensive as economic agents expected. In the fourth quarter, disappointment set in.

UNITED STATES

- The manufacturing sector drove the mini-recovery noted during the summer, notably because of brisk purchases of durable goods. This undeniable vigour appears to have vanished by early fall.
- Somber economic figures were published in October and November. Experts have not ruled out renewed recession, although they do not view such an outcome as very likely.
- The high rate of indebtedness of all economic agents and the turnaround of the real estate market will prevent any quick, vigorous economic revival, although the bank rate is the lowest it has been for 18 years.

CANADA AND QUÉBEC

- The Canadian economy was in poor shape at the beginning of the year. The introduction of the federal goods and services tax (GST) precipitated consumer spending at the end of 1990, thereby dampening spending in early 1991, in the midst of the North American recession and uncertainty engendered by the Gulf war.
- In April, an upturn in the growth of gross domestic product became apparent in the goods and services sectors, although growth came to a standstill in August, because of a downturn in the services sector. The goods sector fell well short of matching its performance in the first half of 1990.

- A comparison of average gross domestic product in 1991 and 1990 indicates a drop of roughly 0.3 % (Conference Board forecast, in constant dollars). However, closer examination reveals that decline was entirely due to a slide in the goods sector between August 1990 and March 1991, which was stopped in April.

- A comparison of the first ten months of 1991 and of the same period in 1990 shows that Canada lost 250000 jobs, a 2 % drop. Here too closer examination shows that 100000 jobs were actually created between February and October 1991.

- Except in January, the unemployment rate remained between 10.0 % and 10.6 % in 1991.

- The rate of capacity utilization in the manufacturing sector decreased from 77.1 % (1990 average) to 70.1 % in the first quarter, followed by a slight upswing in the second quarter.

- According to a study conducted early in the year, total capital spending in Canada rose 2.8 % in current 1991 dollars, but fell 2.5 % in the manufacturing sector.

- Since the summer of 1989, the value of non-residential building permits has gradually fallen by nearly half. The value of residential building permits climbed in 1991, regaining nearly half the losses recorded in 1990.

- Monetary policy has considerably eased interest rates, encouraged by sharp decreases in American rates and the Canadian dollar's record performance on exchange markets.

- After the foreseeable and limited increase due to the implementation of the federal goods and services tax, price indices did not display alarming tendencies in 1991. Neither did wages.

- Québec's economic situation has, by and large, followed Canadian trends. The province was not as hard hit as Ontario by the recession: employment fell by 2.5 % in Québec, compared with 3.6 % in Ontario. However, the 0.6 % downturn in Québec's GDP in 1991 (Conference Board forecasts) has been more pronounced than that in Canadian GDP (0.3 %).

INDUSTRY AND TRADE IN QUÉBEC

MANUFACTURING SECTOR

- The Québec manufacturing sector felt the effects of the North American recession. Shipments declined by 7.2 % in relation to 1990 (data for the first nine months of the year), compared with a 4.9 % drop between 1989 and 1990. As is usually the case in a recession, the durable goods industries were hardest hit.

- The reduction in output was accompanied by a reduction in manufacturing jobs in Québec. Compared with 1990, employment fell by 9.2 % in 1991 (data for the first ten months of the year). A month-by-month analysis reveals a slight improvement during the year.

- According to Statistics Canada forecasts early in the year, capital spending in the Québec manufacturing sector would fell by 9.6 % in 1991. At 74 %, the Québec/Ontario ratio would drop in relation to 1990, when it was 84 %, but would remain at an historically very high level.

- R&D expenditures in the manufacturing sector reached an estimated $1 billion in 1991. Three industries continue to account for over 75 % of the total, i.e. transportation equipment, chemical products, and electrical and electronic products.

- The overall North American economic situation explains the deterioration in manufacturing sector profits, which plunged by 31 % in 1990 and by 57 % in 1991 (Canadian data, first six months for 1991).

- The number of bankruptcies in the Québec manufacturing sector increased by 31 %, and the attendant liabilities, by 82 % (data for the first nine months of the year).

TRADE SECTOR

- Sales figures for 1990 and 1991 should be compared cautiously, because the sales tax reform led Statistics Canada to change its calculation methods.

- Sales in the wholesale trade sector dropped markedly by 7.5 % in current dollars (data for the first eight months of the year). The first quarter was especially slack.

- Retail sales fell by 6.9 %, in current dollars (data for the first eight months of the year).

- The number of jobs declined slightly, i.e. by 1.9 % (data for the first ten months of the year), because of a steep downturn in wholesale trade. In the retail sector, part-time jobs replaced full-time jobs.

- According to Statistics Canada forecasts, capital spending in the Québec trade sector will rise by 9.4 % in 1991. However, once account is taken of the expenses incurred by service stations to bring their storage tanks into line with new standards, capital spending will actually decline by 5.2 % (in current dollars).

SECTORIAL REVIEW

- Aside from two very special cases, the food and beverages industry, which is insensitive to economic fluctuations, and the petroleum products industry, the shipments (measured in current dollars) of all the other major Québec groups stagnated.

- The products most affected by the downturn in shipments were transportation equipment (-23.1 %), mineral and non-metallic products (-17.5 %), machinery (-17.0 %), clothing (-11.0 %), paper (-10.9 %), and timber (-10.7 %).

- The forest industry is experiencing hard times. In addition to the economic downturn, paper mills must bring production processes into line with environmental standards and adapt their products to American regulations pertaining to recycled fibres.

- Non-metallic mineral products have been hard hit by the recession. Over a two-year period, the rate of capacity utilization has fallen from 82.2 % to 66.8 %. Capital spending by this industrial group plummeted by 60.0 % in 1991.

- In 1991, the aeronautics sector enjoyed a number of significant successes, because of the quality and technological sophistication of its products. Two groups of industries did remarkably well in their efforts to increase exports loaded in Québec : the manufacturers of telecommunications equipment and the suppliers of aircraft parts and of entire aircrafts with engines.

REGIONAL OVERVIEW

- For the second consecutive year, the job market was brisk in the Bas-Saint-Laurent and Outaouais regions, despite the sluggish economy. The number of jobs rose by 3.1 % and 3.4 % respectively in 1991 (data for the first ten months of the year).

- Aside from the Abitibi-Témiscamingue region, employment in the other regions reflected the overall economic situation and the number of jobs declined.

- Regional unemployment rates are rising, except in the Gaspésie—Îles-de-la-Madeleine and Abitibi-Témiscamingue regions. Unemployment rates in the Québec and Chaudière-Appalaches, Outaouais, Montérégie and Lanaudière regions have nonetheless remained below the Québec average for the third consecutive year.

- According to the Bureau de la statistique du Québec, investment intentions are strongest in the Outaouais (+18.0 %), Estrie (+12.4 %) and Québec and Chaudière-Appalaches (+12.2 %) regions. The conclusion of major manufacturing investments explains by and large the drop in capital spending in the Gaspésie—Îles-de-la-Madeleine (-22.5 %), Saguenay—Lac-Saint-Jean (-22.0 %), Bas-Saint-Laurent (-13.0 %) and, to a lesser extent, Montérégie (-9.7 %) regions.

- The slowdown in the manufacturing industry has affected the number of hours worked in the building trades. The Côte-Nord and Nord-du-Québec regions are the only exceptions.

- The labour market in the Montréal and Laval regions remains depressed. In 1991, the number of jobs fell by 3.3 % (data for the first ten months of the year), nearly three times the 1990 figure. In 1991, the unemployment rate reached 13.3 % (data for the first ten months of the year), 2.4 percentage points higher than the previous year.

THE GLOBAL ECONOMIC CONTEXT

THE GLOBAL ECONOMIC CONTEXT

THE WORLDWIDE ECONOMIC SITUATION

Two strikingly different features characterize 1991. In geopolitical terms, the year witnessed the triumph on all fronts of the free-enterprise system. In economic terms, all that remains is the somber recollection of protracted hesitation between slowdown, recession and stagnation.

Early in the year, economic analysts were unanimous in focusing on concerns about energy supplies, threatened by the war in the Persian Gulf. Would the Saudi Arabian oil fields be destroyed? Could the American economy bear the financial burden of the war and the American people its psychological cost? These questions weighed heavily on the minds of investors the world over.

In February, the unprecedented triumph of the allied armies against Iraq, combined with the collapse of oil prices, dramatically restored the confidence of economic agents and overshadowed the widespread sharp economic downturn noted in the second half of 1990. However, during the summer, renewed confidence began to taper off. North America's economic revival was lacklustre, the former Soviet empire was in disarray, for the first time in 46 years Europe was a theatre of war, and the reasons for uncertainty were numerous. Doubt was more diffuse than in late 1990 but perhaps all the more complex because of it.

According to mid-year OECD forecasts, real GDP in the member countries nonetheless climbed in 1991, for the ninth consecutive year, albeit by only 1.1 %, compared with 2.6% to 4.6% in previous years. The United Kingdom, Australia, New Zealand, Canada and the United States were among the countries hit by the recession. It may be that overly stringent application of resolutely anti-inflationist monetary policies had a more marked effect than anticipated on the economic situation of these countries. The onset of recession could be the consequence of inordinate confidence in the virtues of absolute monetary rigour.

Germany and Japan continued to lead the way among major industrialized nations in terms of expansion, although the pace of growth has slowed appreciably. Germany is still dealing with the enormous consequences of reunification, which is proving to be more complicated and costly than originally anticipated. To date, Eastern Europe has not yet proven that it is capable of making the transition to a market economy without sinking in economic chaos.

While inflation was not seen as a major threat in 1991, it failed to drop. According to mid-year OECD forecasts, the average rate of price increases in member countries went down from 4.6% in 1990 to 4.5% in 1991. It thus remained higher than corresponding figures for 1985 to 1989, despite a sharp drop in energy prices in 1991. To counteract sluggish economic growth or indeed, recession, most of the major industrialized nations lowered interest rates, with the exception of Germany and Japan.

Labour force statistics are gloomy. In 1991, the member countries of the OECD failed to create jobs for the second time in 15 years (the previous occurence took place in 1982, when employment actually fell by 0.5%). For the first time since 1983, the average unemployment rate rose, from 6.6% to 7.1% in 1991. Prior to the 1981-1982 recession, from which the world economy has never fully recovered, at least in terms of employment, a rate higher than 7% was unthinkable. Under the circumstances, the upsurge in the number of refugees arriving in the wealthy nations is posing serious economic, social and political problems, especially in the EEC.

While the capacity utilization rate has, on average, remained at markedly higher levels than those recorded during the 1975 and 1981-1982 recessions, gross fixed non-residential capital formation nonetheless declined by 0.5% in 1991. This occurred even though companies found it easier to finance investment than they did in the previous year. Stock markets were much more buoyant in 1991 and monetary policy was less stringent. Admittedly, self-financing has not been as easily within reach of industrialists and competition from governments on lending markets has increased with the recession and the attendant upswing in public spending. Among the seven leading OECD economies, the financial requirements of central governments rose on average from 2.2% of GDP in 1990 to 3.0% in 1991.

Freer trade is a leading objective on the international scene. GATT negotiations were exceedingly arduous in 1991, especially because of the EEC's vigorous defence of agricultural subsidies. However, in the fall, at Germany's behest, the EEC relaxed its position. The resumption of talks could lead to the signing of an agreement in the first half of 1992, although a satisfactory outcome still lies in the realm of conjecture. With the application of the so-called Europe 92 rules, the EEC is on the verge of creating a genuine common market. At the same time, North America is moving toward continental free trade. Tripartite negotiations between Mexico, the United States and Canada are under way.

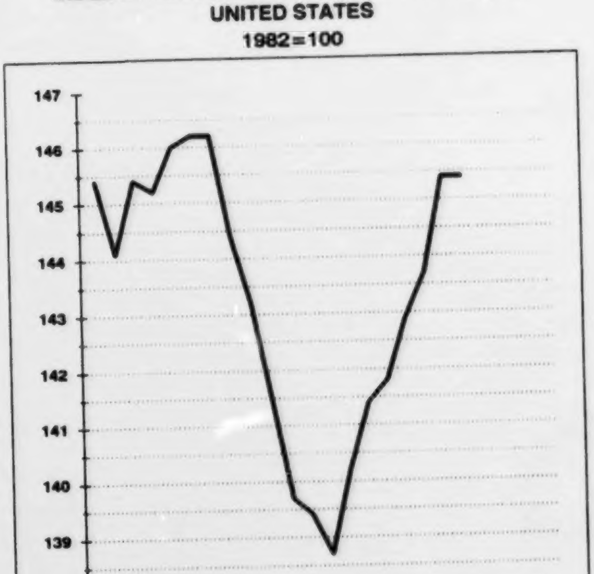
THE ECONOMIC SITUATION IN THE UNITED STATES

The opinions of economic analysts specializing in the United States economy changed rapidly in 1991, a year fraught with sudden new developments. With the onset of winter, opinion is divided: some analysts fear another lapse into recession, while others opine that, despite a shaky revival, the economy was out of the woods. It would perhaps be more accurate to say that the recession is over but that expansion is not yet on the agenda.

In late 1990, it became clear that a recession was under way in the United States. Following seven years of expansion, a cyclical downturn was hardly surprising, although it occurred at a time when uncertainty spawned by the war with Iraq was significantly shaking the economy. Forecasters devoted more time to assessing military scenarios than to analyzing the leading economic indicators. There was no longer any question of a soft landing, but of an oil shock. Fixed non-residential fixed capital investment plunged 22.6% in the first quarter (annual rate adjusted for inflation).

Instead, the stunning victory of the United States and its allies in the Gulf war unleashed a wave of optimism in business and among consumers. Economic analysts cautioned against undue optimism. The threat to oil supplies had been lifted, just like the threat to air transport. The United States was certain to obtain the lion's share of contracts to rebuild Kuwait. More broadly speaking, the

INDEX OF ADVANCED ECONOMIC INDICATORS
UNITED STATES
1982=100



country's ability to impose its economic viewpoint was bolstered around the globe. With the imminent collapse of the Soviet Union, there was no longer any significant counterweight to American influence. However, the U.S.'s domestic economic problems continued to be a source of concern.

While American military hardware may have swept away the Vietnam syndrome, it failed to obviate the effect of sluggish growth in productivity in the U.S., which has been building up for a long time. A revival based on trade appeared unlikely, especially because of a rising U.S. dollar, regarded the world over as a safe haven for investors. The moral credit of winning the Cold War did not pay off the debt accumulated by economic agents. Consumer debt precludes any thought of a brisk economic upswing in the wake of increased consumption. The federal deficit, almost out of control, hardly leaves the government any leeway for a traditional budget policy focused on kick-starting the economy. Bank debt has put a damper on an expansionist monetary policy. It is no longer the high cost of borrowing that is curbing lending, but the desire of banks to lend only to borrowers offering exceptional guarantees of solvency. Under the circumstances, a drop in interest rates will not have the usual effect, except to curtail exchange rates.

Industrialists were more optimistic than economic analysts. Shipments in the manufacturing sector began to climb in the spring and continued to do so throughout the summer, sustained by increased demand for durable goods. Between April and July, industrial output regained roughly two-thirds of the ground it lost during the recession, i.e. compared with figures for the period October to March. According to American domestic accounting figures, the decrease in GNP was negligible in the second quarter; it rose by 2.4% in the third quarter.

The inordinate optimism many people felt in the wake of the Gulf war was doomed to turn to disenchantment. Consumer confidence plummeted abruptly in the fall, to near-record levels, equalled only in 1982 and at the height of uncertainty over the conflict with Iraq. A survey conducted by the Wall Street Journal among 371 big American companies revealed that third-quarter profits were down 23% over the preceding year.

It was not long before this pessimism had an effect. Industrial output stagnated in August and had still not picked up by October. As always, the durable goods sector is a bellwether of the economic climate.

Between November and March, orders for durable goods fell by nearly 15% and entirely regained the ground lost between April and July. In August and September, they dropped again by roughly 7%. Automobile and small truck sales declined by 12.5% in the third quarter, compared with the same period in 1990. During the same quarter, the big three U.S. auto makers announced losses totalling US$1.7 billion. Since February, residential housing starts hardly strayed from the one million mark (annualized monthly figures). For purposes of comparison, residential housing starts reached 1.7 million in early 1987.

These disturbing trends are also apparent with regard to employment and capacity utilization rates. Following sharp increases in 1990, unemployment hovered between 6.5% and 7% between February and October. At the end of this period, it was at 6.8%; the United States had 1.8 million more jobless than it did in July 1990. High job losses were recorded in the manufacturing sector in September and October, offsetting the previous months' gains. In October, the capacity utilization rate fell once again, to 79.6%.

Although bad news proliferated in late October and early November, most economic analysts nonetheless felt, as they had in the spring, that the reactions of economic agents were exaggerated in terms of the actual state of the American economy, contrary to the beginning of the year when pessimism prevailed. The same analysts are, however, quick to note that, while it is not very likely, a return to recession is possible.

As they did in the fall of 1990, American economic analysts are wondering whether or not the economy is in a recession. The index of leading indicators does not provide a clear answer; in August and September, its upward climb halted, although it did not drop significantly. Public officials take the risk of renewed recession very seriously, all the more so as 1992 is an election year in the U.S. and Pennsylvania voters sent an unequivocal message to the White House in November. The Federal Reserve System took advantage of buoyant price indices and lowered the bank rate to 4.5%, an 18-year low.

Will lower interest rates suffice to put the economy on the road to recovery? A number of analysts are dubious and maintain that the United States is now paying the price of longstanding unhindered real estate speculation. In the case of office space, this led to over-building. Occupancy rates are so low in major American cities that no upswing in construction is foreseeable for several years.

The situation in the residential sector is much more critical. Not only did over-investment occur, but many households predicated their spending and borrowing plans on an inflated evaluation of the family home, their principal asset. Through mortgages, such households had already consumed a portion of what they deemed to be a reliable component of their wealth. Falling real estate prices have left these households in debt; some of them have ceased to make payments and can no longer borrow. Unlike previous recessions, the 1990-1991 economic downturn significantly affected middle class jobs. Middle class households had to bear a substantial portion of the tax burden and the brunt of a precarious labour market, in addition to a decline in the value of their principal asset, which they deemed to be the most reliable means of obtaining capital gains.

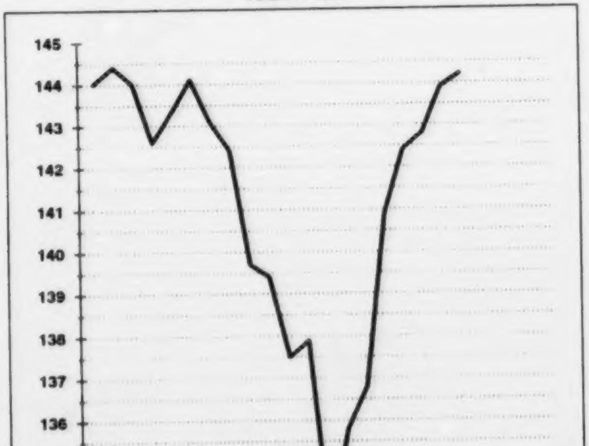
It is quite obvious that lower interest rates, while they are welcome, cannot induce middle class consumers who got their fingers burned to freely spend on credit. The banking system has also been upset by the loss in value of assets that it accepted as loan guarantees. Today, the banks are much more cautious about lending money than they were prior to the recession. All analysts conclude that a vigorous economic upturn is highly unlikely, despite initiatives that President Bush is sure to instigate in 1992 to spur the economy and increase his chances of reelection.

THE ECONOMIC SITUATION IN CANADA AND QUÉBEC

The Canadian economy was facing very difficult times in early 1991. The introduction of the federal goods and services tax (GST) unleashed a wave of advanced consumer spending at the end of 1990. Consequently, during the first quarter, such spending dwindled at a time when the North American recession was in full swing and uncertainty was rife concerning the Gulf war and a possible major oil shock.

Gross domestic product rose in April in the goods and services sectors; the trend continued until August. As was the case in the United States at that time, the most pronounced upturn occurred in the goods sector. Since August, GDP has seemed to hover: it no longer indicates a recession, nor does it indicate economic recovery. As a number of economic analysts would have it, the revival is timorous and precarious. In Canada, as in the U.S., the debt load of economic agents largely explains weak demand.

INDEX OF ADVANCED ECONOMIC INDICATORS
CANADA
1981=100



Different economic indicators appear to be sending contradictory messages, partly because renewed expansion is always more diffuse than the propagation of a recession throughout an economy. Account must also be taken of the difference between two categories of indicators.

One category of indicators seeks to compare average levels in 1990 with average levels in 1991. These indicators produce pessimistic results, as economic activity declined appreciably in late 1990 and the economy has a lot of catching up to do. While this type of indicator is not devoid of interest, it reveals nothing about recent changes in the economic situation. A second category of indicators focuses on a comparison of conditions prevailing in early and late 1991. To be meaningful, the comparison must use seasonally adjusted data. This type of indicator makes it possible to closely monitor recent economic changes, although it is less robust because the basis for comparison is narrower.

Employment is a good example of the divergence between the two types of indicators. A comparison of 1990 and 1991 averages reveals that the number of jobs decreased by 2 % in Canada, a loss of 250000 jobs, including 145000 in the manufacturing sector (data for the first ten months of the year). However, in October, there were 100000 more jobs than in February, a modest, but genuine, increase. The second type of indicator is much better suited to examining recent changes in the Canadian economy.

Except in January, the unemployment rate fluctuated between 10.0 % and 10.6 % in 1991. The capacity utilization rate fell from 77.1 % (average for the four quarters of 1991) to 70.1 % in the first quarter of 1991. A very slight upturn occurred in the second quarter, when the rate reached 71.3 %.

Profits nosedived. According to a recent Dow Jones Canada survey, between the third quarter of 1990 and the third quarter of 1991, profits plunged 85 %. Another indication of the gravity of the situation lies in the fact that, during periods of prosperity, net company profits account for roughly 10 % of gross domestic product. The figure was only 4.5 % during the period in question, a record since 1932 according to some studies.

It is hardly surprising that investment projects are on the wane in Canada. A Statistics Canada survey conducted early in the year reveals that capital expenditures were expected to increase by 2.8 % (current dollars) in 1991 in the Canadian economy as a whole, and would decrease by 2.5 % in the manufacturing sector.

Activity in the construction industry was erratic. The value of non-residential building permits has been sliding steadily since the summer of 1989. The figure dropped by half during that time. The value of residential building permits climbed in 1991, regaining nearly half the ground lost in 1990.

Government monetary policy relaxed its grip on interest rates, which fell from 14 % in the spring of 1990 to 7.75 % in early November 1991. The decrease was essential as the inflation rate had declined markedly and the Canadian dollar continued to trade at record levels on exchange markets. The discrepancy between the Canadian and American rates was abnormally high in relation to pre-1988 levels. Moreover, following the foreseeable, limited increase over time that accompanied the implementation of the federal goods and services tax (GST), the inflation rate did not display disturbing tendencies in 1991, nor did wages.

The strongest argument against a rapid return to recession in Canada is the change in the composite index of leading indicators, which dropped sharply between June 1990 and January 1991. Since February, it has risen as quickly as it previously fell, returning in the fall to its mid-1990 level.

Québec's economic situation is not significantly different from that of Canada overall. The decline in employment is less pronounced than in Ontario (2.5 % compared with 3.6 %, based on the average of the first ten months of the year).

According to a Statistics Canada survey conducted early in the year, capital spending was expected to grow more quickly in Ontario than in Québec in 1991, i.e. 3.4 % as against 2.5 %. These investment forecasts will differ significantly from final figures, however, given the rapidly changing economic situation. The "Deal Estate" program, for instance, should blunt the 4.4 % downturn in housing starts anticipated at the beginning of the year.

The Conference Board of Canada predicts that the decline in GDP will be smaller in Québec than in Ontario in 1991 (0.6 % compared with 0.9 %). It should be noted that the downturn in the first quarter was less extensive in Québec than in Ontario (0.7 % as against 1.8 %). Only Saskatchewan, Alberta and British Columbia experienced more favourable economic conditions than Québec.

THE MANUFACTURING SECTOR

THE MANUFACTURING SECTOR

The recession that began in 1990 continued to drag down Québec manufacturing output, which fell by 6.8 % in 1991, according to Conference Board of Canada estimates. It was the durable goods sector that was hardest hit, as it is the most sensitive to economic cycles. The downturn in employment in the manufacturing sector abated in the second quarter of 1991, and has been slowly regaining ground since then. The drop in employment in Ontario was bigger and more prolonged. In Québec, as in Canada, manufacturing investment shrunk in 1991, following seven years of growth. The economic slump explains the dramatic dive in profits and numerous bankruptcies.

INDUSTRIAL PRICES

The industrial price index has continued to slide since 1989. During the first nine months of 1991, the index fell 0.3 % in relation to the same period in 1990. Since January, it has fallen in eight consecutive months, to a level in September 1991 below the September 1988 figure. This downward trend is expected to continue through to the end of the year. In the second half of 1990, industrial prices were affected by uncertainty surrounding the Gulf war, although such uncertainty vanished in early 1991.

Prices in a number of industries have fallen in absolute terms, after earlier decreases in some industries in 1990. Major drops occurred in the paper and primary metals sectors. In the latter sector, prices fell by over 15 % in two years. Although it is less important, the drop in the index with respect to paper products is destabilizing the industry, primarily the newsprint sector. In both industries, which are very important to Québec, international prospects seem slightly more favourable than in recent months. The price of newsprint could firm up; international aluminum supplies were down, which means higher prices for the metal.

PRODUCTION

Manufacturers' shipments in Québec declined in 1991 for the second consecutive year. The 7.2 % drop in Québec was slightly less pronounced than the decrease in Ontario. It is the durable goods sector, whose cyclical nature is well known, that experienced the most striking downturn.

Companies curtailed production and sold off inventories during the first phase of the recession. External trade gave the manufacturing sector a boost. Certain products enjoyed especially strong growth, with the result that Québec's international exports rose by 8.4 %.

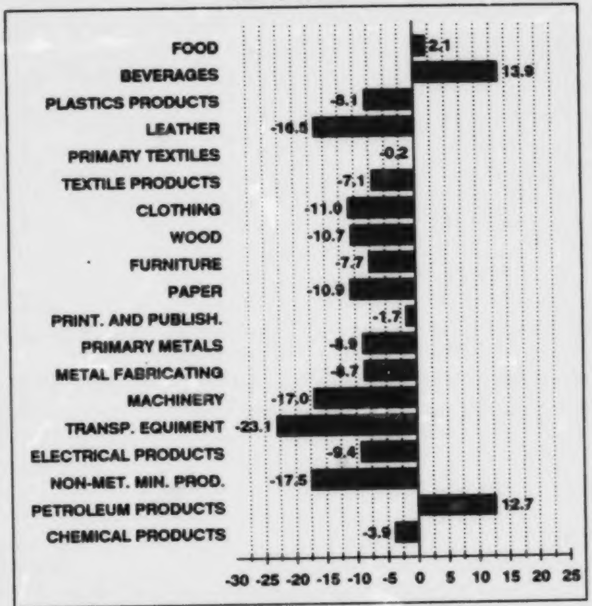
SHIPMENTS

Québec industrial output continued to decline in 1991, when manufacturers' shipments fell by 7.2 % during the first nine months of the year in relation to the same period in 1990. Overall, they declined by 4.9 % in 1990. The recent recession has hit the manufacturing sector very hard. The downturn was more pronounced in Ontario, where output decreased by 5.2 % in 1990 and 6.5 % in 1991, but nonetheless picked up more rapidly.

As was the case in 1990, the durable goods sector was hardest hit by the general economic slowdown. Manufacturers' shipments were down by 13.0 % in 1991, compared with a 2.8 % dip in the non-durable goods sector. Durable goods are much more sensitive to cyclical movements. Consequently, when the recession ends, the upswing in this sub-sector should be more noticeable.

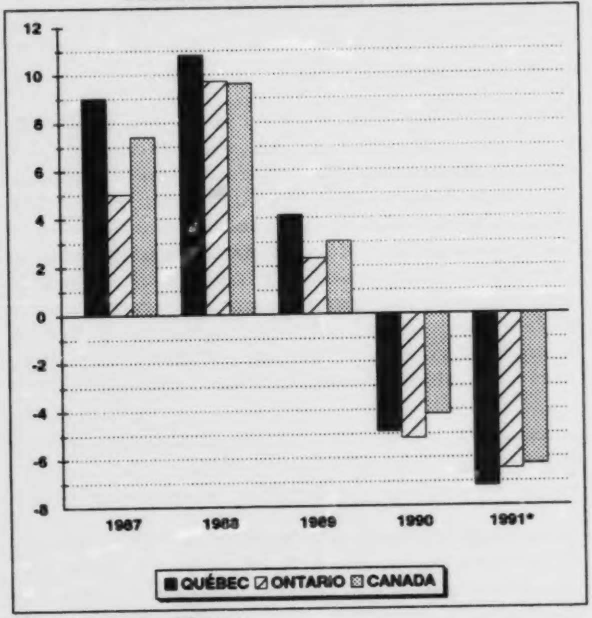
The hardest hit industrial groups, i.e. ones which recorded downturns of over 15 % in shipments, were transportation material, affected by the elimination of one shift at the Boisbriand General Motors plant, followed by a temporary closing for retooling; non-metallic mineral products, due to

MANUFACTURERS' SHIPMENTS*
QUÉBEC
PERCENTAGE CHANGE
1991 / 1990**



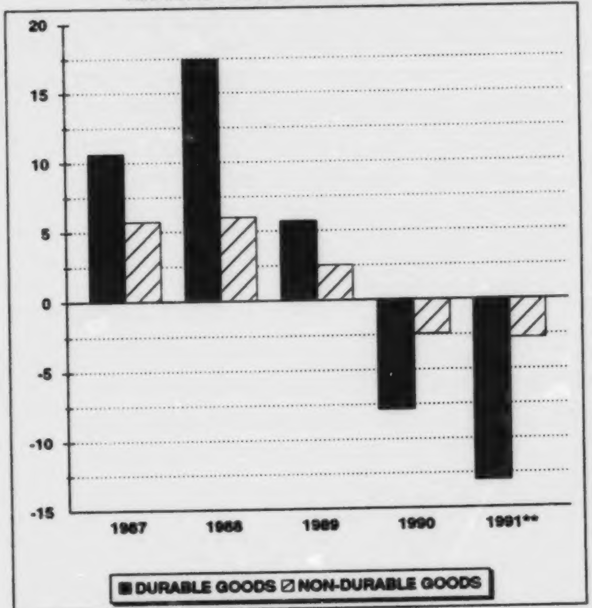
* Excluding tobacco, rubber products and miscellaneous manufacturing, for which data are confidential.
** First nine months of the year.

MANUFACTURERS' SHIPMENTS
QUÉBEC, ONTARIO, CANADA
ANNUAL PERCENTAGE CHANGE



* First nine months of the year.

MANUFACTURERS' SHIPMENTS*
DURABLE AND NON-DURABLE GOODS
QUÉBEC
ANNUAL PERCENTAGE CHANGE



* Excluding tobacco, rubber products and miscellaneous manufacturing, for which data are confidential.
** First nine months of the year.

plummeting activity in the construction sector; machinery, sales of which are tied to corporate equipment budgets; and leather, attributable to the collapsing shoe industry. Decreases in the wood, clothing and paper industries outstripped the Québec average.

The food and beverages, printing and publishing, drugs and pharmaceutical, petroleum products, and aircraft sectors successfully weathered the 1991 economic slump.

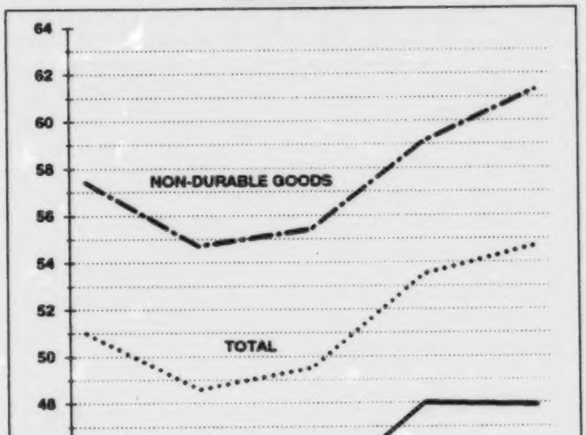
While the economic upturn has not yet been as brisk as expected, results at the end of 1991 will undoubtedly partially offset the drop in shipments recorded over the entire year. Were the downturn to reach 6 % for all of 1991, Québec manufacturers' shipments would total $68.5 billion.

INVENTORIES

For the first nine months of 1991, finished product inventories in the Canadian manufacturing sector were down 4.6 % over the average figure for the same period of 1990. This situation is in keeping with usual changes in inventories when a recession ends and the economy recovers. However, the magnitude of the cyclical fluctuations in inventories was much smaller than during the 1981-1982 recession.

Companies usually have unwanted inventory on hand at the beginning of a recession. The inventory-to-shipments ratio provides a fairly accurate picture of the situation. In 1990, the ratio rose conspicuously. To absorb surplus inventories, companies slowed the pace of production. If the liquidation of inventories is not sufficiently advanced when demand picks up, businesses delay stepping up production. This is what happened in 1991. Indeed, except for the first three months of the year, the inventory-to-shipments ratio fell in relation to the preceding year.

INVENTORIES OF FINISHED PRODUCTS / SHIPMENTS
DURABLE AND NON-DURABLE GOODS
CANADA
PERCENTAGE



* First nine months of the year.

In 1991, dwindling inventories were attributable solely to the durable goods industries, where they declined by 10.5 %. Mention should be made, in particular, of furniture, primary metals, metal products, transportation equipment and electrical and electronic products. In the Canadian non-durable goods industries, on average, inventories remained fairly stable in 1991, only increasing by 0.6 %. The foregoing data leave room for wide variations from one industry to the next.

EXPORTS

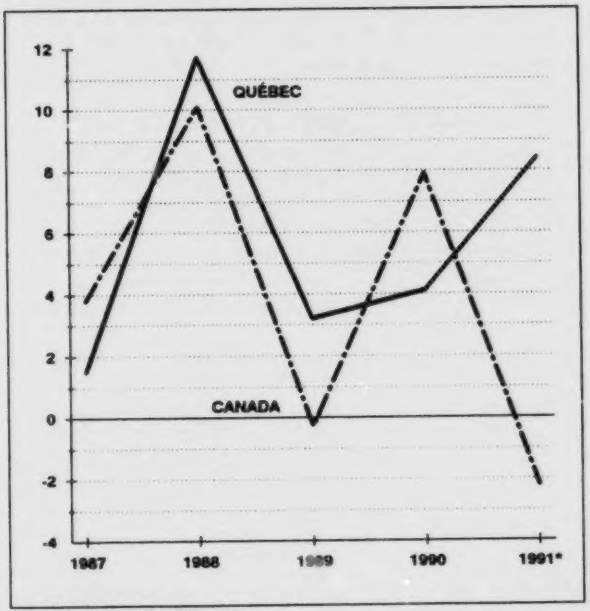
For the first eight months of 1991, Québec's total international exports exceeded $17 billion, a brisk 8.4 % increase over the same period in 1990. This striking result is surprising given the North American recession, during which manufacturing output plunged and exports from the rest of Canada were down by 4.3 %. It is all the more surprising given that, in 1988 and 1989, when vigorous expansion occurred, the figure was only 3 % or 4 %. However, the data for 1991 cover only part of the year and are tentative. Consequently, the resulting analysis may have to be altered when final data are published. Nonetheless, worthwhile information can be gleaned from an examination of Québec data pertaining to exports of the 10 principal products, in descending order of importance.

The three leading products in the ranking, which together account for one-third of Québec exports, recorded sharp increases. The 9.9 % increase in newsprint exports is remarkable against the backdrop of slumping paper sales, all the more so as Canada (excluding Québec) witnessed a 5.5 % drop, due in part to more stringent rules governing the use of non-recycled fibres on the California market, a natural outlet for British Columbia paper mills. The market in the northeastern United States is still not subject to such constraints.

Exports of aluminum and alloys jumped by 12.1 % in 1991, following two consecutive years in which their value shrunk considerably. However, there is every indication that the world aluminum market has not improved yet, which explains recent decisions to curtail production, and the counter-performance of other exporting provinces.

The most striking sectorial increase in exports in 1991, and the hardest to explain, lies in the customs category "other telecommunications equipment and material", where a 93.5 % jump was recorded. Although this is a field which is thriving, caution is in order when this figure is interpreted, as it has undergone seemingly random changes in the past.

INTERNATIONAL EXPORT
QUÉBEC AND CANADA
ANNUAL PERCENTAGE CHANGE



* First eight months of the year.

Aircraft engines and parts ranked fourth among exports, in order of importance, and experienced a 15.0% drop. The recession did not spare this sector in 1991, forcing Pratt & Whitney, among others, to slash output and reduce staff.

In fifth place, automobile and chassis exports declined by 23.5%; figures for the first half of the year were more favourable. The temporary closing of the Boisbriand General Motors plant was strongly felt starting in July. In Ontario, too, auto exports fell on hard times.

Exports of wood pulp, the sixth-ranking product, decreased by 8.4%, a clear reflection of the weakness in the paper market. It was the second consecutive year of steep decline. In 1990, exports were down by 12.6%.

The products ranked seventh, eighth and ninth enjoyed brisk exports. Exports of copper and alloys, after dropping 5.7% in 1990, shot up 16.0% during the first eight months of 1991, due in part to higher international copper prices. Shipments of complete aircraft with engines soared 72.8%, a remarkable performance, attributable to the commercial success of Canadair and Bell Helicopter. Exports of such products with high unit costs are extremely volatile over short periods, though, because of the delivery schedule of finished products. In 1991, exports of measuring and control, laboratory, medical and optical instruments again displayed robust growth, i.e. 30.7%. Between 1985 and 1990, the value of such exports grew fivefold.

The group of products ranked 10th, in order of importance, had a fairly lacklustre year on export markets. Sales abroad of office machines and equipment fell by 16.4%. The microcomputer industry, the main component of this sub-sector, is undergoing constant reorganization, and Québec is no exception.

Québec exports to the United States totalled $13 billion during the first eight months of 1991, a 6.9% increase over the same period in 1990. This growth rate is similar to that observed in 1990 overall, i.e. 7.0%. The upswing is all the more satisfying as it occurred during a period in which the Canadian dollar continued to appreciate against the U.S. dollar (up $0.03 in 1989, $0.01 in 1990, and $0.03 in 1991). However, it is disturbing to note that the only increase registered in the category "other telecommunications equipment and material" is wholly accountable for higher sales to the United States. Caution is advised when the data are interpreted.

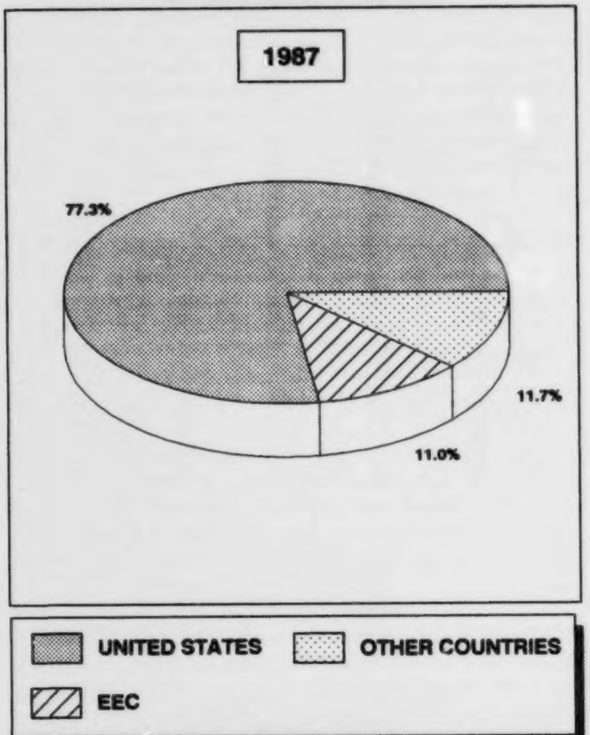
The relative share of Québec exports to the United States remained stable, dipping slightly from 74.8% to 74.5%. Exports to the EEC and a number of other countries climbed sharply in 1991.

The EEC is Québec's second most important export customer. Shipments were up 17.1% in 1991, after declining 3.5% in 1990, thus returning to the trend in prior years. Exports from Canada (excluding Québec) to the EEC were down by 3.7%. The relative share of Québec exports to the EEC reached 13.8%, comparable to the figure recorded in 1989.

Within the Community, exports to three of Québec's four main trading partners enjoyed hefty growth: Netherlands (32.9%), Germany (29.5%), and France (20.3%). Exports to the United Kingdom fell by 4.2% during the first eight months of 1991. Growth in exports to Netherlands was sustained by sales of aluminum, copper and measuring and control instruments. As for France, the upsurge was attributable to products in the aeronautics, aluminum and newsprint sectors. On the German market, wood pulp, iron ore, newsprint and telecommunications equipment exports played a leading role. Increased sales of newsprint and lumber to the United Kingdom were offset by sagging copper and aircraft engine sales. The depreciation of the Canadian dollar in relation to the principal European currencies between September 1989 and early 1991 seems to have affected the flow of trade between Québec and the EEC.

For the second year in succession, exports to Japan flagged dramatically. They fell by 11.6% in 1990, and by 7.4% in 1991 (figures for the first eight months of the year). Japan's relative share of overall Québec exports is 1.4%, compared with 5% for the rest of Canada. The downturn in 1991 resulted from sluggish sales of food products and wood pulp.

DESTINATIONS OF INTERNATIONAL EXPORTS LOADED IN QUÉBEC UNITED STATES, EEC, OTHER COUNTRIES PERCENTAGE BREAKDOWN



Continued slow growth in total Québec exports is expected at the end of the year, abetted by an obviously weak economic revival in the United States and the relentless increase in the value of the Canadian dollar. In this regard, economic factors tied to newsprint and aluminum, Québec's leading export products, will play a vital role. All told, growth in Québec exports in 1991 should not differ significantly from 1990. Over the long run, the exchange rate on the Canadian dollar will be decisive.

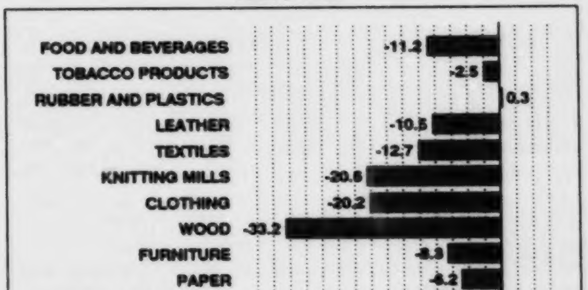
UTILIZATION OF HUMAN RESOURCES

The downward spiral in employment was halted early in the year and a modest revival has occurred since then. Wage increases were neither as moderate as they usually are during a recession, nor as high as the desire to compensate for the GST led some people to fear.

EMPLOYMENT

After getting off to a difficult start, 1991 saw a slow improvement in labour force statistics. As a result of this progress, employment and unemployment figures in October were at levels similar to those recorded in November

WAGE EARNERS IN THE MANUFACTURING SECTOR QUÉBEC PERCENTAGE CHANGE 1991 / 1990*



* First eight months of the year.

1990. However, the effects of the recent recession have not been entirely dissipated.

A comparison of the average number of jobs in the first ten months of 1991 and the same period in 1990 reveals a 2.5 % drop in the Québec economy overall, equivalent to the loss of 77000 jobs in 1991. However, this mechanical measurement is deceptive unless precautions are taken when assessing the true performance of the job market. In fact, employment did not decrease, but increased between January and October 1991, by roughly 35000 jobs. This paradox has a simple explanation. The first part of 1990 was outstanding in terms of employment in Québec, which better resisted the recession than Ontario. In July, there were 75000 more jobs in Québec than a year earlier, while Ontario had just lost 70000 jobs in five months. By and large, a comparison of the first ten months of 1991 and the same period of 1990 in the case of Québec reveals that the first half of 1990 was much more prosperous than the first half of 1991. In other words, a serious recession was under way during the second half of 1990. In the comparison, this effect completely dominates growth in employment in 1991, which was modest but genuine. This observation provides a key to the paradox.

According to a Statistics Canada labour force survey, in 1991 an initial four-month increase in the number of jobs occurred from February to May. The increase of 38000 jobs brought total employment slightly over the three-million mark (3005000, as was the case in November 1990). However, this figure was offset by a decrease of 22000 jobs in June. It was only in October that the labour market finally made up for the June downturn, recording for the second time that year just over 3 million jobs, with 35000 more jobs than in January.

The same paradox crops up in an analysis of manufacturing jobs. A comparison of the first ten months of 1991 and the same period in 1990 shows that there were 9.2 % fewer jobs in this sector in 1991, a drop of 54000, although the figure conceals the true picture. Because Statistics Canada does not publish seasonally adjusted data in this respect, it is harder to monitor month-by-month changes in the variable. A detailed analysis would reveal a sag until April, followed by a marginal upturn.

When all sectors are considered, job losses caused by the recession were markedly higher in Ontario than in Québec, even after adjustments are made to reflect the different sizes of the economies. In Ontario, an almost constant decline in the number of jobs lasted for twelve months, starting in March 1990 and ending in February 1991. During this period, 260000 jobs were lost, equivalent to 5.2 % of the total. In Québec, the slump was shortlived, lasting only six months, from August 1990 to January 1991. Job losses totalled 115000, equivalent to 3.7 % of all jobs. In October, the number of jobs in Québec returned to the level noted in November 1990; a similar comparison would reveal that Ontario is still 100000 jobs short of the November level.

In Québec, jobs held by women were more impervious to the recession than those held by men, due to the creation of 10800 positions occupied by women outside the manufacturing sector, two-thirds of them full time (based on a comparison of averages for the first three quarters). The number of corresponding jobs held by men declined by 55 500. The creation of non-manufacturing full-time jobs held by women did not occur in Ontario, where the number of such jobs dwindled by 55 400. Moreover, the number of Québec women working part-time out of necessity, not by choice, only increased by 15.5 % in one year, compared with a 60.9 % leap in Ontario.

The overall Québec unemployment rate climbed to 12.5 % in March, and decreased twice, in May and in October, when it fell to 11.5 % and 11.6 %, respectively. Aside from these brief exceptions, the unemployment rate remained remarkably stable in 1991, hovering between 11.9 % and 12.1 %, in sharp contrast to the second half of 1990, when the figure rose from 9.1 % in July to 12.0 % in January 1991.

The stabilization of the Québec unemployment rate reduced the disparity between it and the Ontario rate. In October 1991, the Ontario rate was only two percentage points below the Québec rate. In May and June, the discrepancy was 1.8 % and in July, 1.9 %, the lowest it has been in 15 years.

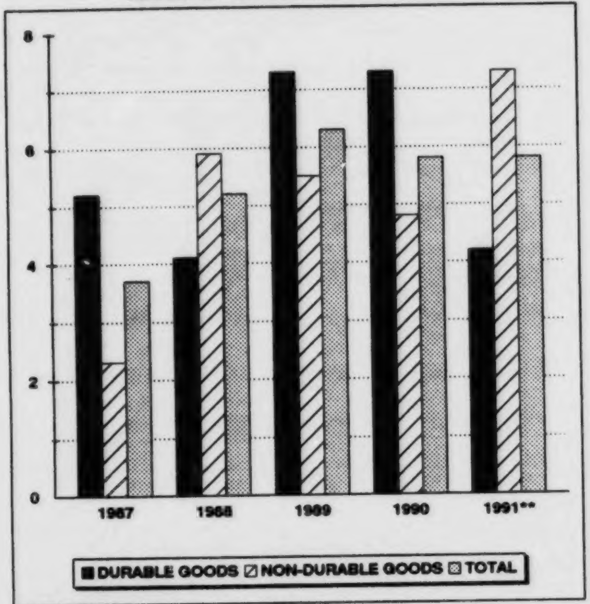
All demographic groups in the labour force felt the effect of the recession on unemployment rates. However, as was the case with regard to employment, the relative position of women improved in Québec. Indeed, the relative improvement in unemployment among women in relation to the rate among men has continued steadily since 1988, when the women's rate for the first three quarters of the year was 10.3 % and the men's rate, 8.9 %. In 1991, using the same basis for measurement, the women's rate reached 11.5 % and the men's rate, 12.6 %.

A Statistics Canada wage survey provides a breakdown of the increases in the number of manufacturing jobs by industry, although the data should be interpreted cautiously, given the limited sample sizes. The comparison of 1989 and 1990 shows that the durable goods sector suffered the greatest job losses, as it was the first to be hit by a recession. A comparison of 1990 and 1991 figures indicates that job losses were equally divided between the durable and non-durable goods sectors.

WAGES

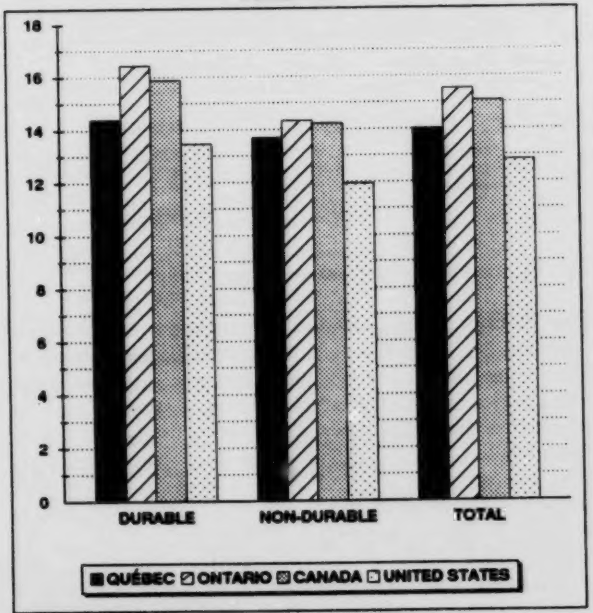
The growth in wages in the Québec manufacturing sector did not slow in 1991. In the first eight months of the year, the average hourly wages of employees paid by the hour rose 5.8 % in relation to 1990, when the increase was identical. The most striking wage increases occurred in the non-durable goods sector, where wages climbed from 4.8 % in 1990 to 7.3 % in 1991. However, the average increase in the durable goods sector was 4.2 %, a marked decline.

AVERAGE HOURLY EARNINGS IN MANUFACTURING* QUÉBEC ANNUAL PERCENTAGE CHANGE



* Employees paid by the hour (including overtime).
** First eight months of the year.

AVERAGE HOURLY EARNINGS IN MANUFACTURING* QUÉBEC, ONTARIO, CANADA, UNITED STATES JUNE 1991**



* Employees paid by the hour (including overtime).
** Conversion rate: C$1.1437 = US$1.00 (June 1991 average).

The high exchange rate of the Canadian dollar, a result of Bank of Canada policy, nudged average hourly wages in Québec 15 % higher than corresponding American wages in the non-durable goods sector, and 7 % higher in the durable goods sector. Québec wages were nonetheless 10 % lower than those in Ontario.

Weekly wages in the manufacturing sector increased at an annual rate of 4.9 % (data for the first eight months of the year). Among industries with high wages, only the tobacco industry recorded a noticeable increase, i.e. 10.6 %. Wages fell by 0.7 % in the rubber and plastics sector, and 0.5 % in the petroleum products sector. The average weekly wage of $368.18 in the clothing industry continued to rank last among Québec industries, despite a 20 % increase over three years.

The high unemployment prevailing in the Québec manufacturing sector should moderate wage demands, as preliminary data from the ministère du Travail du Québec on collective agreements negotiated in the first half of 1991 seem to indicate.

LABOUR RELATIONS

According to ministère du Travail du Québec statistics, the number of person-days lost through work stoppages in the manufacturing sector declined fairly steadily between 1984 and 1989. Collective bargaining became more arduous in 1990, which marked the end of economic expansion. During that year, the number of person-days lost through labour disputes jumped 55.6 %, primarily as a result of the need to renew collective agreements in the pulp and paper and primary metals sectors, two key industries in the Québec manufacturing sector.

The economic situation since early 1991 has no doubt put a damper on confrontation during collective bargaining. In 1991, the number of person-days lost plunged 46.6 % (data for the first nine months of the year). The wood and metallic products industries accounted for one-third of the 137 000 person-days lost.

Nearly 70 000 of workers in the Québec manufacturing sector renegotiated their collective agreements during the first three quarters of 1991. Of this number, nearly 65 000 did so without conflict or are still negotiating. Of the 616 collective agreements that were renewed up to September 1991, 94 % percent did not involve a stoppage. There are 294 collective agreements yet to be finalized before the end of the year, covering 21 394 employees. In 1991, an average of 26 days per person involved in strikes or lockouts were lost, in contrast with the peak of 43 reached in 1990. The trend toward prolonged strikes in the durable goods sector and shorter strikes in the non-durable goods sector appeared to hold true in 1991.

A number of noteworthy innovations in the realm of labour relations in Québec should be mentioned. In 1991, union-management cooperation enabled Marine Industrie to reach a longer than usual agreement. Numerous firms have implemented incentive wage plans, a trend especially pronounced in Québec, according to a recent Conference Board of Canada survey.

In 1992, at least 836 collective agreements will expire, thus drawing 68527 workers into negotiations, down 24.4 % from 1991. Industries in which large numbers of workers will be involved in collective bargaining include food and beverages (8500), clothing (7500) and non-metallic mineral products (6400).

UTILIZATION OF OTHER FACTORS OF PRODUCTION

The downturn in the Canadian capacity utilization rate, which began two years ago, gave way to a slight upturn in the second quarter of 1991. The improvement was noted mainly in the durable goods sector. In relation to the entire range of other macroeconomic variables, capital spending in the manufacturing sector was slow to feel the impact of the recent recession. R&D expenditures in the Québec manufacturing sector continued to grow in 1991, but at a somewhat slower pace than in recent years.

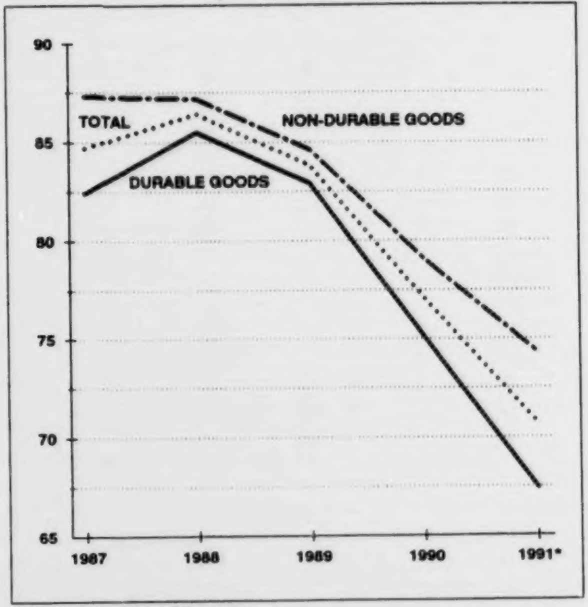
CAPACITY UTILIZATION RATES

The capacity utilization rate in Canadian manufacturing industries reached 71.3 % in the second quarter of 1991, a sharp drop compared with the average 1990 level (77.1 %). The utilization rate has fallen 15 percentage points since it peaked in 1986. However, following eight consecutive quarterly decreases, the trend appears to be reversing itself: the rate rose 1.2 point between the first and second quarters.

This recent upswing is attributable to the durable goods sector. The utilization rate in the non-durable goods sector was stable during the first two quarters of 1991. During the recent recession, both industrial categories experienced precipitous declines in capacity utilization. However, it is the durable goods industries, whose cyclical behaviour is more pronounced, that were hardest hit. In the second quarter of 1991, the capacity utilization rate reached 68.6 % in the durable goods sector, and 74.3 % in the non-durable goods sector.

In 1991, all industries experienced a downturn in capacity utilization in relation to 1990. The most striking drops occurred in the rubber products, leather, clothing, printing and publishing, machinery and non-metallic mineral products sectors. In the paper, chemical products and oil and coal derivatives sectors, capacity utilization rates topped 80 %. In the paper industry, rapid changes in business conditions suggest a marked drop in capacity utilization in the third quarter.

CAPACITY UTILIZATION RATES
MANUFACTURING SECTOR
DURABLE AND NON-DURABLE GOODS
CANADA
(PERCENTAGE)



* First two quarters of the year.

A comparative analysis of Québec and Canadian industrial structures reveals that the downward trend in capacity utilization rates also applies to the Québec durable and non-durable goods sectors. Since 1989, reduced capacity utilization has gradually eased inflationary pressures on industrial prices, a trend that continued in 1991.

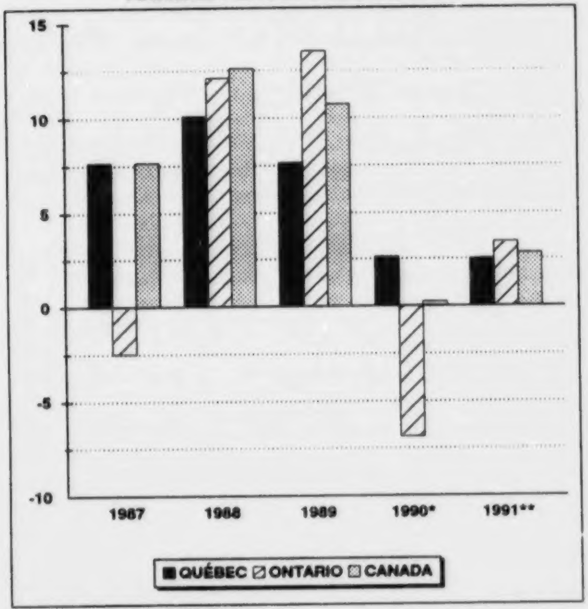
INVESTMENT

It is hard to get a clear picture of capital spending in 1991. In the spring, Statistics Canada announced that it was cancelling its traditional mid-year survey of investment projects. The very important information collected through the survey is not available from any other source.

The findings of the preliminary survey were published on February 27, 1991. However, the information was obtained from companies in late 1990, at a time when many of them were preoccupied by the safety of world oil supplies in light of the Iraqi threat. Since then, the economic and geopolitical situation has changed dramatically. The neutralization of Iraq has certainly encouraged some investors, while the economic slump has discouraged others, although it is impossible to directly ascertain to what extent.

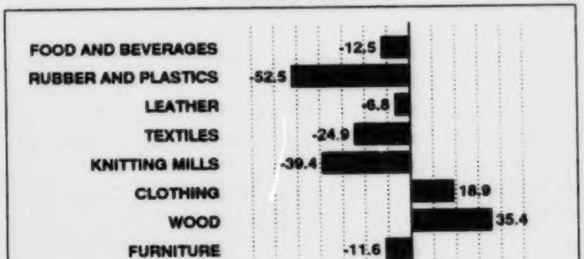
Early in the year, Statistics Canada predicted that investment projects in Québec in 1991 would lead to a 2.5 %

**CAPITAL EXPENDITURES IN MANUFACTURING
QUÉBEC, ONTARIO, CANADA
ANNUAL PERCENTAGE CHANGE**



* Preliminary expenditures.
** Forecast.

**CAPITAL EXPENDITURES IN MANUFACTURING*
QUÉBEC
PERCENTAGE CHANGE
1991 / 1990****



* Excluding tabacco products and miscellaneous manufacturing, for which data are confidential.
** 1990, preliminary expenditures; 1991, forecast.

increase over 1990 in capital spending (in current dollars). Such an upturn was entirely attributable to government departments and institutions (up 13.8 %) and public utilities (up 25.0 %), especially Hydro-Québec. Were it not for both sectors, a 5.2 % drop would have been recorded (in current dollars). Capital spending in the manufacturing sector declined by 9.6 %.

Québec national accounting data, now released for the first half of 1991, make it possible to make a first assessment of the relevance of these forecasts, which are already dated. Fixed-capital investments in Québec fell 6.7 % (in current dollars) between the first half of 1990 and the first half of 1991. Despite Hydro-Québec's contribution, business investment decreased by 7.9 %, indicating that figures from Statistics Canada's survey at the beginning of the year must be downgraded, even though a comparison of the second halves of the years in question should be somewhat less unfavourable.

Another source of information which must be used cautiously is the data that Statistics Canada published in early November on the investment projects for the period 1991-1993 of a sampling of big Canadian companies. The survey does not provide separate data pertaining to Québec. Moreover, it is often hard to extrapolate the findings to the economy overall, as big firms have more opportunity to invest during recessions than small ones. Notwithstanding the energy sector, investment was down 14 % in 1991 (in current dollars). Without exaggerating the accuracy of this figure, there is every reason to think that the forecasts announced in February will dwindle, given the economic situation.

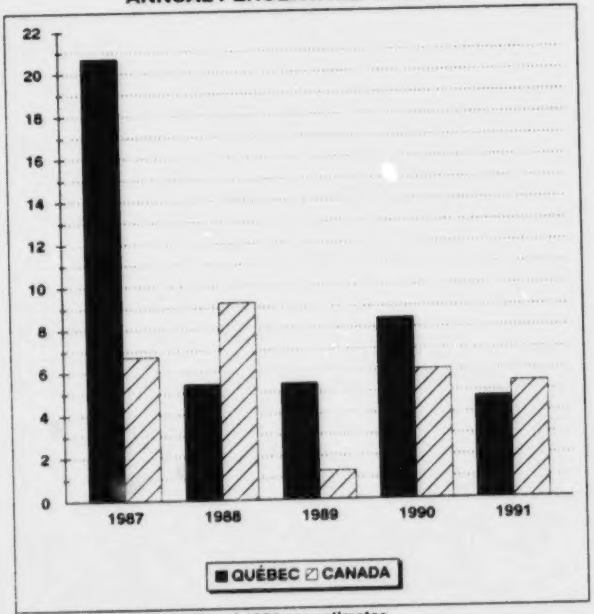
The Canadian forest products industry offers a good example of the downturn in anticipated investments in 1991. According to the survey published in February, combined wood and paper industry investments were expected to decrease by 12.8 % in Canada as a whole, as against the 36 % drop noted in the November survey of big companies.

One conclusion is inescapable: in Québec, as in Canada, 1991 marked the end of seven years of uninterrupted growth in manufacturing investment. As predicted by the economic theory of cycles, such investment was one of the last components of overall demand to be affected by the recession that began in the spring of 1990. In 1991, it gives no indication that it will stand in the forefront of economic revival.

TECHNOLOGY

Québec statistics respecting R&D are not yet available for 1990 and 1991. The latest published figures reveal that Québec manufacturers increased R&D spending by 5.4 % in 1989, the same figure as in 1988. Between 1986 and 1989, the average annual growth rate reached 10.3 %, compared with to 5.7 % for the whole of Canada. During the same period, the growth of R&D spending was 12.1 % in the tertiary sector (5.6 % for the whole of Canada).

R & D EXPENDITURES IN MANUFACTURING
QUÉBEC* AND CANADA
ANNUAL PERCENTAGE CHANGE



* Québec data for 1990 and 1991 are estimates.

Bearing in mind available information on Canadian spending in this field and on the firms that are the most extensively involved in R&D, increases in Québec could be on the order of 8 % in 1990, and 5 % in 1991, compared with 6 % and 5 % in Canada as a whole. Consequently, investment in R&D throughout the Québec manufacturing sector could reach an estimated $1 billion in 1991.

Growth in total R&D spending in the Québec manufacturing sector since 1981 has slightly surpassed performance in Canada overall. Since 1987, Québec's share of Canadian technological investments has hovered around 27 % and should stay there in 1990 and 1991. The three key sectors in manufacturing R&D investment are transportation equipment, electrical and electronic products, and chemical products, which account for over 75 % of all R&D spending in the Québec and Canadian manufacturing sectors. Their importance is growing.

The transportation equipment industry, spearheaded by aeronautics, is undoubtedly the most important technological sector in Québec. In 1989, it accounted for nearly 39 % of manufacturing sector R&D investment; in Canada, it ranks second, behind electrical and electronic products.

Pratt & Whitney and Canadair are the major actors in this field in Québec. Within this industry group, Québec's share of technological investments accounted for 55 % of the Canadian total in 1989, a figure which remained stable in 1990 and 1991. In 1990, Pratt & Whitney significantly stepped up its R&D investments in Québec; they remained high in 1991. Canadair continues to invest heavily in the development of its regional jets, and prospects in the industry are excellent. Its initial success in marketing the first version of its regional jet will encourage Canadair to pursue R&D investment. Research is an important component of Pratt & Whitney's operations. The firm's recently announced expansion in Lethbridge should not reduce Québec's share of its R&D spending.

In recent years, a number of Québec firms in the maritime sector that have acquired expertise in R&D, especially in the military field, have enjoyed healthy profits. Over the next few years, the mass transit equipment sector could benefit from spinoff from the adaptation for use in North America of high-speed train technology and the development of new models of buses.

The electrical and electronic products industry ranks second in Québec in terms of R&D spending, and first in Canada, where it accounts for roughly 16 % of total research and development expenditures. In recent years, this figure has grown steadily, although the recession has sapped the sector's vitality more than that of other industrial groups. After reaching a peak of 30 % in 1986, the group's share of total manufacturing sector R&D in Québec dropped back to 25 %. This downturn was due to generally sluggish research, apparent since 1988 in the telecommunications and electronic components sectors, and a sharp drop in research in the office equipment sector in 1989.

Growth in Québec was attributable by and large to telecommunications equipment manufacturers. Elsewhere, CAE Electronics, a flight simulator manufacturer, maintained brisk R&D investment. Prospects are still good in the sector, in Canada and in Québec. Robust research spending is expected to continue in the telecommunications sector, as clearly indicated by major R&D investment projects announced in the services sector (Bell-Northern Research and Teleglobe). Ultimately, manufacturers should benefit from these projects. The picture is somewhat somber for office machine manufacturers.

In 1989, R&D spending in the chemical products industry accounted for 14 % of the Québec total in the manufacturing sector. Two years earlier, the figure was only 10 %. This growth is due to higher spending in the pharmaceutical and drugs sub-group, up 17 % in 1988, 54 % in 1989. It subsisted in the following years. In Canada, it reached 36 % in 1990, and 8 % in 1991.

During debate on the adoption of federal Bill C-22, which extends the period of protection offered by Canadian patents, the pharmaceutical and drug industry claimed that the legislation would foster R&D. In this sub-sector, Québec's share of R&D investment in Canada rose between 1987 and 1989 from 35 % to 42 %, a significant increase. According to the Patented Medicine Prices Review Board, in 1990 Québec became the Canadian leader in pharmaceutical R&D. Québec enjoys an advantage in that it has large numbers of firms, especially multinationals, that market patented products. Unlike the manufacturers of generic products, such firms engage extensively in R&D and their sizable research staffs ensure future investment.

With respect to government initiatives, Québec relies heavily on the tax system and the programs of the Technology Development Fund, which seeks to bolster competitiveness in industry and foster cooperation among industrialists, the universities and governments. It also endeavours to promote the financing of research and development in the private and public sectors. The TDF has a $350-million budget, spread over five years.

One facet of the Technology Development Fund focuses on catalyst projects in the following fields: computer technologies (Le Macroscope DMR), advanced trains and subway systems (Bombardier), geomatics (Progert), robotics (TDS), steel products (Bessemer), virtual simulation (Interface), and biopharmaceutical products (Endorecherche). The TDF has committed nearly $64 million to these projects, to which must be added $50 million in Québec R&D tax credits. All told, the projects are worth $285 million.

A second facet of the TDF centres on government priorities. The fund will allocate $56 million to RADARSAT, the Institut de la technologie du magnésium, centres of excellence, and the XMX-EPS project. Two new facets were added to the TDF during the past fiscal year, i.e. environmental R&D projects ($50 million), and the R&D — SMBs program ($20 million).

Faced with the globalization of markets, free trade, and a unified European market in 1992, businesses have no choice but to display creativity and make the best use of technological innovation to sustain competitiveness. Technology transfers are one way for Québec companies to achieve this end. In recent years, governments have done a great deal to satisfy the expectations of the business community. Essentially, financial assistance has been made available to enable firms to search for markets and conduct feasibility studies, obtain information on opportunities for collaboration, exchanges and technology transfers, and protect intellectual ownership.

The ministère des Affaires internationales du Québec intends to bolster information networks focusing on scientific progress and technological innovation. Additional funds will be allocated to international initiatives that promote scientific research and technological development.

The ministère de l'Industrie, du Commerce et de la Technologie du Québec has helped set up the Forum des intervenants en transfert de technologie, a regional body, which joined forces with the Bureaux de liaison avec l'entreprise des universités du Québec (BLEU) in 1991 to sponsor the 11th symposium of the International Association of Consultants in Higher Education Institutions (IACHEI), held in September in Montréal and Québec City, under the theme "Technology and Big Cities".

Moreover, the ministère de l'Industrie, du Commerce et de la Technologie du Québec, the Centre de recherche industrielle du Québec and the ministère des Affaires internationales du Québec have jointly set up the OPTECH program, designed to manage a domestic and international network that promotes linkage between partners wishing to engage in technology transfers. Through the program, companies can readily obtain information on potential partners offering and seeking technology.

COMPETITIVENESS

Despite a sluggish labour market, unit labour costs continued to rise in Québec and Canada in 1991, much more rapidly than in the United States. However, manufacturing output per person-hour began to edge upward again, as is usually the case when employment ebbs. The recession has precipitated a spectacular drop in manufacturing profits. In 1991, bankruptcies in the sector were more prevalent in Québec than in Ontario.

UNIT LABOUR COSTS AND PRODUCTIVITY

The productivity of Québec manufacturers must be placed in a long-term international perspective.

In the wake of the 1973 oil shock, none of the major industrialized countries has regained the remarkable levels of productivity that prevailed during the 1960s. Average annual growth in output per person-hour in Canada, for example, fell from 4.5 % (1960-1973) to 2.1 % (1973-1979), ahead of the United States and the United Kingdom, where the growth rate fell to 1.4 % and 1.2 %, respectively.

The deterioration of Canada's relative position in terms of manufacturing productivity continued during the 1980s. Between 1979 and 1990, average annual growth further declined, settling at 1.4 %. Only Denmark's rate of growth was lower with respect to this index. Canada's lacklustre performance since 1979 is the result of stagnation between 1985 and 1989 in growth in output per person-hour. During the same period, average annual growth in the other member countries of the Group of Seven reached 3.5 %. Since World War II, a four-year hiatus in growth in Canadian manufacturing sector productivity is unprecedented. It is all the more unusual as such growth was fairly robust and capital expenditures substantial during the period. In 1990, growth in output per person-hour jumped to 2.7 % in relation to 1989, partially offsetting the meager performance recorded during the preceding four years.

In 1990, the increase in unit labour costs in Canada slowed somewhat. The 4.1 % upswing, expressed in Canadian dollars, is in line with average figures in the other industrialized nations. However, when calculated in U.S. dollars, such costs present an entirely different picture. The strong appreciation of European currencies in 1990 thrust that year's growth rate up 20 % in a number of countries. The same year, Canada recorded a 5.7 % rise in unit labour costs, expressed in U.S. dollars.

The United States is Canada's main economic partner. Markedly different changes in unit labour costs in the two countries will inevitably affect the Canadian manufacturing sector's performance. Between 1985 and 1990, such costs, expressed in U.S. dollars, climbed 45.6 % in Canada and fell 0.3 % in the United States. Changes in unit labour costs are sensitive to three factors: the exchange rate, worker productivity and remuneration. Canada's flagging competitiveness since 1985 can be explained by the 17 % appreciation of the Canadian dollar between 1985 and 1990 (this explains 40 % of the decline); minimal advances in output per person-hour, i.e. 1.2 %, as against 19.0 % in the United States (this explains another 40 % of the decline); and steeper hourly wage increases in Canada than in the United States, i.e. 25.9 % and 18.6 %, respectively (this explains the last 20 % of the decline).

The trend toward higher unit labour costs persisted in 1991. According to data for the first half of the year, expressed in Canadian dollars, the increase was expected to reach 6.2 % in Canada and 5.1 % in Québec. In recent years, unit labour costs in the Québec and Canadian manufacturing sectors have never diverged widely. Between 1979 and 1990, unit labour costs in the manufacturing sector overall rose 75.7 % in Canada, and 72.2 % in Québec.

Output per person-hour in the Québec and Canadian manufacturing sectors is quite similar; in both instances, it has grown slowly. In 1990, productivity in the Québec manufacturing sector was equivalent to 91 % of the Canadian figure. Available figures for 1991 reveal that growth in productivity reached 3.2 % in Québec and zero in Canada. Competitiveness and productivity have become major concerns in Canada, whose principal economic partners achieve better results. Numerous government initiatives were implemented in this regard in 1991.

A recent Economic Council of Canada study attempts to explain lagging Canadian productivity through the manufacturing sector's reluctance to adopt new technologies and new approaches to labour relations and worker training. According to the ECC, protectionist behaviour and policies such as the old National Energy Program have dampened efficiency in the manufacturing sector and curtailed its capacity to adapt to market forces.

PROFITS

The recession has seriously eroded the profitability of Canadian companies. In 1991, operating profit accounted for only 7 % of GDP, compared with 14 % in 1988. Slack profits are considerably hampering renewed investment. It is in the manufacturing sector that the drop in profits is the most disturbing. In 1988, manufacturers earned 36.1 % of all corporate operating profit; in 1991, this figure had fallen to 19.1 % (data for two quarters). Manufacturers' profits peaked in 1988, then dropped by 8.9 % in 1989, 30.8 % in 1990, and 56.8 % in 1991 (data for the first half of 1991).

Dwindling profits were especially apparent in the wood and paper sectors, and with respect to some components of the transportation equipment industry. Canadian firms operating in these sectors recorded operating losses running to hundreds of millions of dollars over several quarters. The profitability of these exporting forms is hobbled by the strength of the Canadian dollar and soft demand. However, a number of sectors that are less sensitive to cyclical economic trends managed to maintain profitability, e.g. the food and beverages, tobacco products and chemical products (especially drugs) sectors.

During the first half of 1991, many Canadian manufacturers posted after-tax losses. Numerous firms will be unable to rely on their equity to revive investment in the short term. Forecasters expect profits to increase significantly in 1992 and 1993, which is hardly surprising set against the drop observed in 1991.

BANKRUPTCIES

For the fourth consecutive year, the number and attendant liabilities of business bankruptcies have increased strikingly in all sectors of economic activity. Ontario has been the hardest hit in this respect. At the beginning of the fourth quarter of 1991, bankruptcies were up 39.0 % in Ontario and attendant liabilities, by 109.6 %, compared with 16.7 % and 78.1 %, respectively, in Québec. Attendant liabilities totalled $1.6 billion in Québec, a 126 % increase, the highest since 1977. Many companies succumbed to the combined effect of the general economic slowdown and excessively high interest rates during the first part of the year.

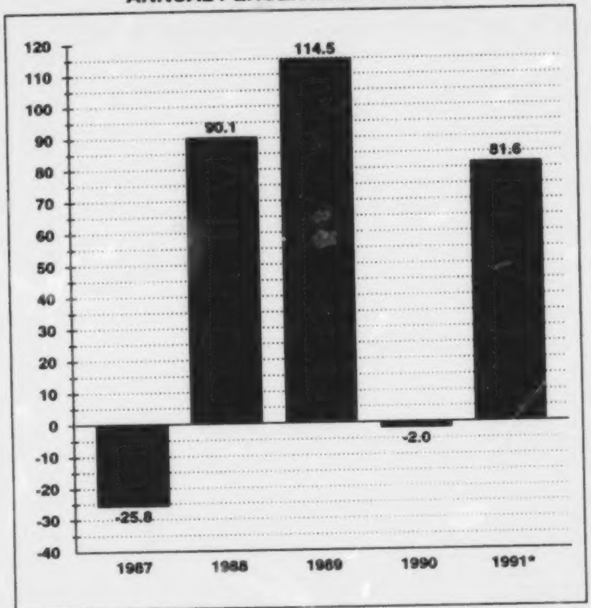
During the first three quarters, most bankruptcies (70 %) were concentrated in the tertiary sector, divided more or less equally between the commercial and the services sectors. The secondary sector accounted for nearly one-quarter of bankruptcies, most of which occurred in the construction industry. Manufacturing concerns accounted for only 9 % of all Québec bankruptcies, and the primary sector, only 6 %.

Manufacturing bankruptcies were more prevalent in Québec than in Ontario. During the first three quarters of 1991, Québec recorded 409 manufacturing bankruptcies, up 30.7 % in relation to the same period the previous year. Attendant liabilities rose 81.6 % to a total of $226 million. In

Ontario, the number of bankruptcies (245) was up 23.7 %, and attendant liabilities rose 15.0 % to $152 million.

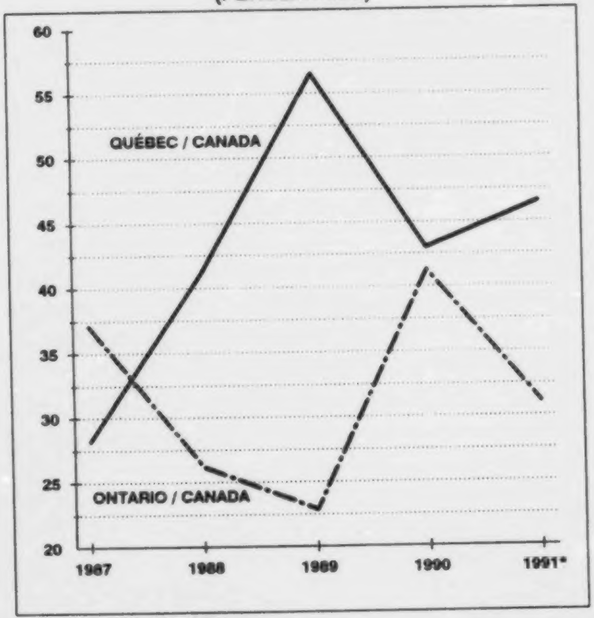
In 1991, the attendant liabilities of bankrupt Ontario manufacturers were equivalent to only two-thirds of the liabilities of their bankrupt Québec counterparts, as against 96.0 % the previous year. With respect to the number of bankruptcies, the Ontario/Québec ratio fell from 67.7 % in 1990 to 59.9 % after the first nine months of 1991.

During the same period, eight sectors accounted for 70 % of Québec manufacturing bankruptcies: clothing (13 %), furniture (13 %), printing and publishing (11 %), wood (8 %), metal products (9 %), machinery and transportation equipment (6 % each), and electrical and electronic products (5 %). Bankruptcies are widely distributed in the various industrial sectors, and tend to concentrate in the durable goods industries, which are more sensitive to economic conditions.



ATTENDANT LIABILITIES IN BANKRUPTCIES
MANUFACTURING INDUSTRIES
QUÉBEC
ANNUAL PERCENTAGE CHANGE

* First nine months of the year.



ATTENDANT LIABILITIES IN BANKRUPTCIES
MANUFACTURING INDUSTRIES
QUÉBEC / CANADA AND ONTARIO / CANADA
(PERCENTAGE)

* First nine months of the year.

THE TRADE SECTOR

THE TRADE SECTOR

In the second quarter of 1991, consumption picked up after slumping appreciably since the beginning of the recession. However, the financial position of households was precarious. Personal disposable income rose slowly in 1991, the savings rate plummeted and personal bankruptcies proliferated, although the relaxation by the Bank of Canada of its interest rate policy did give consumers some respite. Residential construction got a boost from the "Deal Estate" program and low mortgage rates. Housing starts bottomed out in the first quarter and have been climbing since then. Employment dropped slightly in the commercial sector. The steady slide in profitability was accompanied by an upswing in business bankruptcies.

CONSUMER PRICES

The overall consumer price index in Québec went up by 6.4 % in the first ten months of 1991, compared with 4.3 % in 1990. The inflation rate reached 6.3 % in Montréal and 6.6 % in Québec City in 1991, compared with 4.2 % in both cities in 1990.

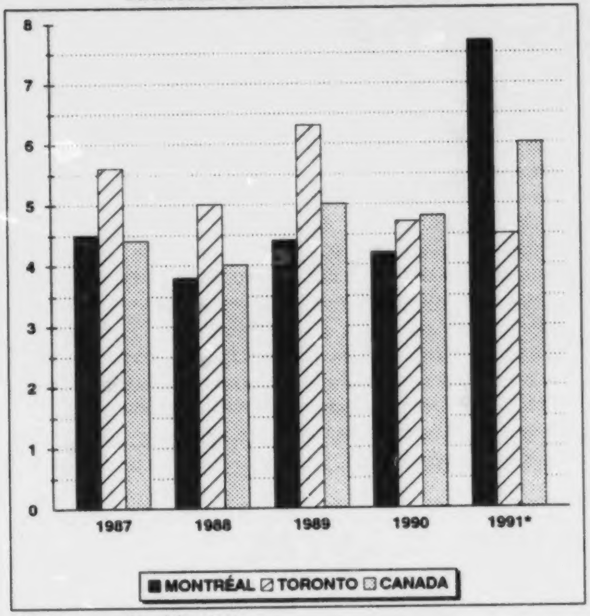
The pace of growth in the overall Canadian index slowed; the increase went from 4.8 % in 1990 to 4.4 % in October 1991. For the first time in five years, Ontario recorded better performance in this respect than Québec: its inflation rate dropped from 4.8 % in 1990 to 3.3 % in October 1991.

Among the goods which contributed most to nudging up the CPI in Montréal in 1991 were tobacco and alcoholic beverages (21.5 %), clothing (14.3 %), leisure activities, reading and training (10.1 %), and personal and health care (7.9 %).

It is semi-durable goods above all that fanned inflation in Montréal. The index for these goods jumped 14.2 %, mainly because of the imposition of indirect taxes on clothing and shoes. For the second year in succession, the durable goods index rose only slightly (0.8 %), due by and large to the roughly 2 % decrease in automobile prices. Non-durable goods and services recorded increases of 5.3 % and 7.0 %, respectively.

In Québec City, prices rose by 6.6 % in 1991, over one and a half times the 1990 rate of 4.2 %, the highest inflation rate in Canada, with the exception of Charlottetown. The same products engendered this upswing as in Montréal. Price increases were somewhat tempered by moderate rises in the cost of transportation, food, energy and housing. Inflationary tendencies were exacerbated, as in Montréal, mainly by

**CONSUMER PRICE INDEX
MONTRÉAL, TORONTO, CANADA
ANNUAL PERCENTAGE CHANGE**



* First ten months of the year.

semi-durable goods, which recorded price increases of 14.2 %. The rates for durable and non-durable goods were 0.4 % and 5.3 %, respectively.

The federal and provincial tax reforms markedly affected the price of clothing, shoes, and reading and training materials. Moreover, higher provincial taxes on tobacco products and alcohol were announced in the last Budget and their implementation nudged up prices. Energy costs other than for gasoline also pushed up the overall consumer price index.

It was feared that wage demands would escalate in 1991 because workers might seek to offset the reduction in purchasing power caused by the GST and the PST. Such fears proved groundless: wage settlements in the first quarter of 1991 included average increases of 5 %. On an annual basis, increases in the first year of collective agreements averaged 5.2 %, 4.8 % in the second year, and 4.6 % in the third year. The highly depressed employment market partly explains slower growth in negotiated wage settlements.

HOUSEHOLD DEMAND COMPONENTS

Following several quarters of sustained growth, personal disposable income rose only slightly in the first half of the year. As a result of sluggish growth and an upswing in consumption, the savings rate decreased. Already saddled with heavy debts, consumers saw their financial room to manoeuvre deteriorate, as witnessed by ever growing numbers of personal bankruptcies. A relaxation of its monetary policy by the Bank of Canada appeared to offer consumers some respite, as it afforded them more favourable terms under which to obtain financing or pay off debts. However, the potential contribution of consumers to economic recovery seems much more limited than it was during the 1981-1982 economic slowdown.

PERSONAL DISPOSABLE INCOME

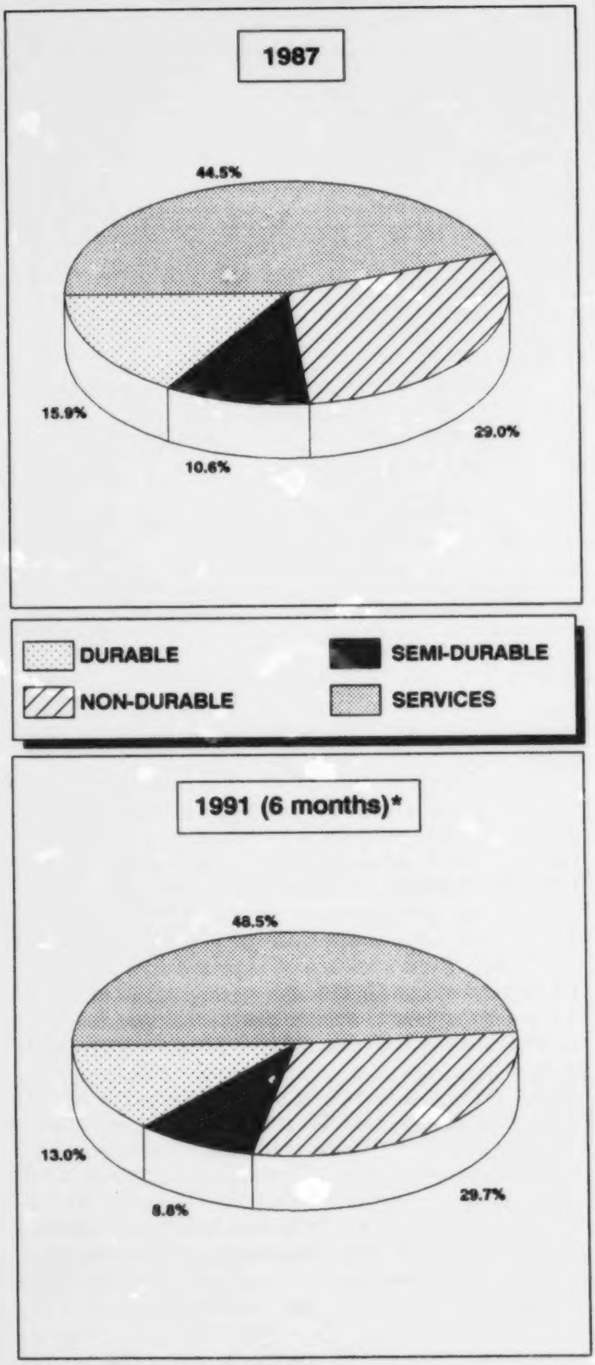
In Québec, personal disposable income increased by 4.0 % in the first quarter of 1991, and 5.3 % in the second quarter, compared with the same quarters the preceding year. However, the increase between the first and second halves of 1991 was only 4.6 %, the lowest figure since the second half of 1986. The 0.8 % increase between the first and second quarters of 1991 was the lowest since the recession began.

The recession has affected almost all components of personal disposable income. In seasonally adjusted data, the most important component, the remuneration of wage earners, increased by barely 0.4 % during the first part of 1991, the smallest increment since the 1981-1982 recession and a clear reflection of the deteriorating labour market.

Interest, dividends and other investment income declined by 2.1 % in the first half of 1991, compared with the second half of 1990, the variable's most mediocre performance since the first half of 1982. The downturn can be explained in part by the constant slide in interest rates that began in mid-1990 and, to a lesser extent, by changes in the net revenues of public enterprises.

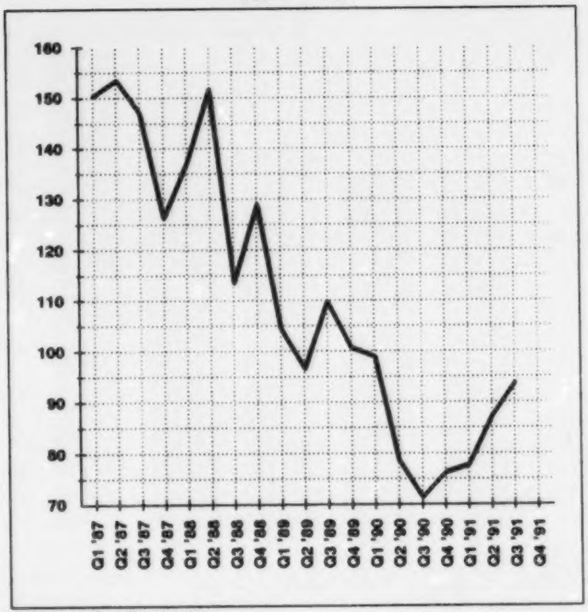
As a direct result of the weakened pace of economy activity, transfers to individuals grew by 6.1 % in the first half of 1991, compared with 6.4 % in the preceding six-month period. These increases are the highest Québec has recorded since the second half of 1981. Federal transfers, up 7.7 %, registered the highest increases of any level of government, and were attributable to unemployment insurance premiums and, to a lesser extent, other transfers to individuals, including GST tax credits to low-income earners. Québec government transfers rose by 3.0 % in the first quarter of 1991, and 0.5 % in the second quarter. Among the leading components of these transfers, social aid benefits climbed 5.4 % in the first quarter and 3.5 % in the second.

PERSONAL SPENDING
ON CONSUMER GOODS AND SERVICES
QUÉBEC
PERCENTAGE BREAKDOWN



* Seasonally adjusted, annualized rate.

CONSUMER PURCHASING INTENTIONS*
QUÉBEC
1961 = 100



* Seasonally adjusted data.
Source: Conference Board of Canada.

CONSUMER SPENDING AND SAVING

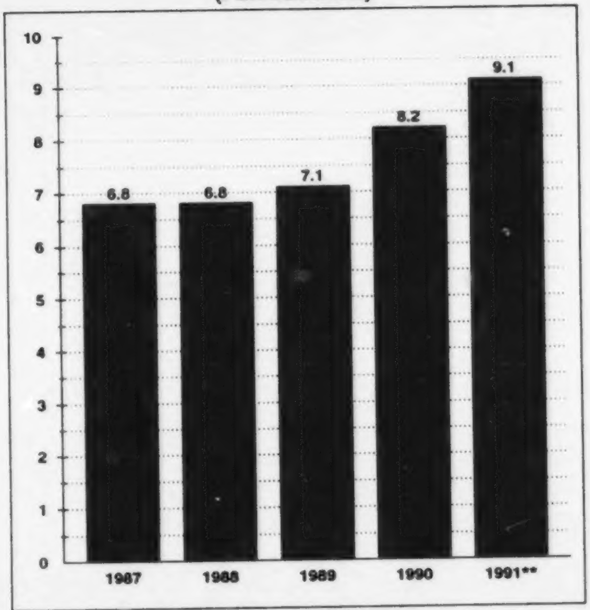
The relative wealth of households and access to inexpensive loans encouraged consumers to go into debt during the second half of the 1980s. The decision to assume heavier debt in order to increase consumption put a serious strain on personal finances.

Higher consumption in the second quarter of 1991, at least in current dollars, combined with a slight increase in disposable income, led to a downturn in the savings rate, following three quarters that witnessed sharp increases. Personal spending on consumer goods and services went up 2.0% in the second quarter, the first significant increase since the first quarter of 1990 (seasonally adjusted, annualized data).

The recovery in consumption is attributable, by and large, to spending on durable goods, up 7.1% in the second quarter. Spending on semi-durable goods and, to a lesser extent, services, also contributed to the increase.

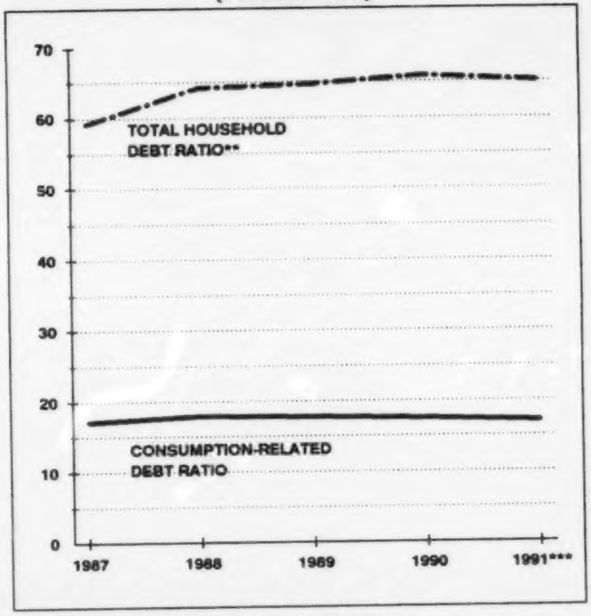
Despite financial problems and an unfavourable economic climate, Québec consumers remained more optimistic than other Canadians, according to the Conference Board of Canada. The slight increment in disposable personal income combined with relatively higher consumer spending resulted in an 8.6% drop in savings in the second quarter of

SAVINGS RATE*
QUÉBEC
(PERCENTAGE)



* As a percentage of personal disposable income.
** Seasonally adjusted, annualized data (first two quarters of the year).

CONSUMER DEBT RATIO*
QUÉBEC
(PERCENTAGE)



* As a percentage of disposal personal income.
** Total household debt includes residential mortgage loans and consumption loans.
*** First six months of the year.

1991. This marked a reversal of the trend noted in the preceding three quarters, when households sought to build up savings. The seasonally adjusted savings rate rose from 7.1 % in the second quarter of 1990 to 10.1 % in the first quarter of 1991, then fell to 9.1 % in the second quarter.

INDEBTEDNESS AND PERSONAL BANKRUPTCIES

The low personal savings rate is not the only factor that sets the current recession apart from the preceding one. The level of individual indebtedness, measured by the sum of mortgage and consumer loans as a percentage of personal disposable income, reached 38.5 % during the 1981-1982 recession. Since then, it has continued to rise. In the first quarter of 1991, it reached a record level of 64 %.

This upsurge is due mainly to the growing importance of mortgage loans, which increased from 30 % of disposable income at the end of the 1983 recession, to 45 % in 1991. Consumer credit, as a proportion of personal income, remained at around 17 %.

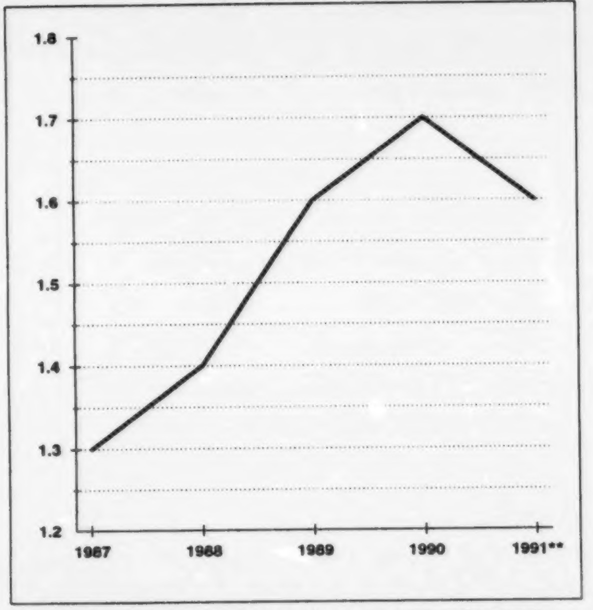
The high interest rates that prevailed in 1990 did little to encourage consumers to achieve more financial leeway. Indebtedness acts as a significant damper on greater consumption. Starting in the second quarter of 1991, a slight relaxation of interest rates gave consumers some breathing space.

Personal bankruptcies continue to rise. During the first nine months of 1991, 13643 Québec consumers declared bankruptcy, a 42.5 % increase over the corresponding period in 1990.

As is the case in Québec, the number of personal bankruptcies in Canada has grown at an unprecedented pace since 1974. In Ontario, and in Canada overall, personal bankruptcies in the first nine months of 1991 outstripped the figure for 1990 as a whole. For the past two years, bankruptcies in Ontario have been occurring at an accelerated rate, and account for a growing proportion of all personal bankruptcies in Canada. Since the 1981-1982 recession, this figure has averaged 34.8 %; by the start of the fourth quarter of 1991, it reached 41.7 %, its highest level since 1982.

Over a period of 10 years, Quebecers have, on average, accounted for 32.0 % of personal bankruptcies in Canada, a figure scarcely altered by the recession. At the end of the first three quarters of 1991, it reached 29.7 %.

INTEREST PAYMENTS ON CONSUMER DEBT* QUÉBEC (PERCENTAGE)



* Interest payments on household debt, as a percentage of personal disposable income.
** Seasonally adjusted, annualized data after six months.

HOUSING STARTS

Beginning in early 1991, the number of housing starts in Québec urban centres with populations of 10000 or more dropped sharply to 22000 units in the first quarter (seasonally adjusted, annualized data), the lowest level since the previous recession. The downturn in residential construction is attributable to the high number of unoccupied new homes. Moreover, the recession that began in the second quarter of 1990 severely shattered consumer confidence and reduced financial leeway. The introduction of the federal goods and services tax spurred consumers to purchase in 1990 homes that they would normally have bought in 1991.

The economic upswing noted in the second quarter, which saw housing starts climb to 43000 units (seasonally adjusted, annualized rate), was largely abetted by the drop in mortgage rates and "Deal Estate", the provincial housing construction revival program. However, housing starts dropped again in the third quarter, to 31000, a 27% decrease over the preceding quarter. In October, they climbed again, to 52000 units (seasonally adjusted, annualized data), a most encouraging sign. This trend could well continue throughout the fourth quarter, spurred by lower mortgage rates and the extension of the "Downpayment Assistance Program".

Tendencies in Ontario and the rest of Canada closely resemble those noted in Québec, although the slight dip in the third quarter did not occur elsewhere.

SALES

The marked downturn in the Canadian economy starting in the second quarter of 1990 sparked an unprecedented drop in wholesale and retail sales, although the upswing noted in both sectors between the first and second quarters of 1991 suggests a recovery. It is not easy to establish chronological or sectorial comparisons given the major changes in the methodology that Statistics Canada adopted to account for indirect taxes when the GST was introduced.

WHOLESALE TRADE

For the third consecutive year, Québec wholesale merchants saw their sales shrink. During the first eight months of 1991, wholesale trade totalled $28.7 billion, a 7.5% decrease over the same period the preceding year. The downturn in Québec was more pronounced than in Ontario (3.4%) and Canada as a whole (6.4%).

During this period, aside from Canadian wholesale trade in food, beverages, drugs and tobacco, which increased by 2.9%, all other wholesale sectors recorded lower sales. As for sales of automobiles, parts and accessories, the decrease would likely turn into an increase were it not for the GST.

In August 1991, wholesale inventories fell 2% compared with the same period the preceding year. The sharpest reductions affected wood and construction materials, machinery, farm equipment and supplies, household items, and automobiles and parts. In the metals, hardware, and plumbing and heating equipment sector, unsold inventories climbed 13.5%, while inventories of food products, which are less sensitive to economic conditions, were up 4.8%. The upswing in sales of new homes starting in the second quarter of 1991 helped reduce inventories of household appliances and construction materials.

The wholesale trade sector picked up early in the second quarter of 1991. Seasonally adjusted wholesale trade in Québec rose by 4.8% between the first and second quarters, compared with 7.5% in Ontario and 6.7% in Canada overall. In July and August, Québec wholesale trade increased by 0.1% and 1.5%, respectively, in relation to the preceding month.

RETAIL TRADE

During the first nine months of 1991, Québec retail sales reached $32.7 billion, a 7.2% drop in relation to the same period in 1990, and a real reduction of 13.9%. For the purpose of comparison, Ontario and Canada recorded real reductions of 12.1% and 11.7%, respectively.

Caution must be exercised when these data are interpreted. Retail sales estimates exclude the goods and services tax, which came into effect on January 1, 1991, and sales figures for previous years include the old federal sales tax. Given the change in the treatment of indirect taxes, 1991 data are not entirely comparable to those pertaining to earlier years.

According to Conference Board of Canada estimates, which take into account changes in the treatment of indirect taxes, over the full year, Québec retail sales should drop by 1.2 % in 1991 and total $45.2 billion. Ontario and Canada as a whole will experience decreases of 1.7 % and 0.6 %, respectively, the poorest showing in the past 20 years and the first slide in retail sales expressed in current dollars.

Statistics Canada data reveal that Québec sales of durable goods plunged 11.9 % in relation to the first three quarters of 1990. Essentially, this downturn is attributable to torpid automobile and recreational vehicle sales (down 7.9 %) and, to a lesser extent, flagging furniture and household appliance sales (down 26.2 %).

Contrary to the reaction in the furniture industry, the reform of indirect taxation caused a slight reduction in automobile prices, although the positive effect that the decrease might have had on sales was largely offset by the recession.

In 1991, sales of semi-durable goods decreased by 10.1 % (data for the first three quarters of the year), due by and large to a 13.9 % drop in clothing sales, and a 15.4 % downturn in shoe sales. When figures concerning clothing and shoe sales are interpreted, account must be taken of the effect of federal and provincial sales tax reforms. The exemption granted these sectors was abolished on January 1, 1991. Sales of non-durable goods fell by scarcely 0.4 %. Food store sales were mainly responsible for this stability; they climbed 2.5 %. Patent drug and pharmaceutical sales declined by 1.0 %. Given that the foregoing are basic items, they explain sustained consumer demand.

During the third quarter, retail sales apperared to slow down to some degree.

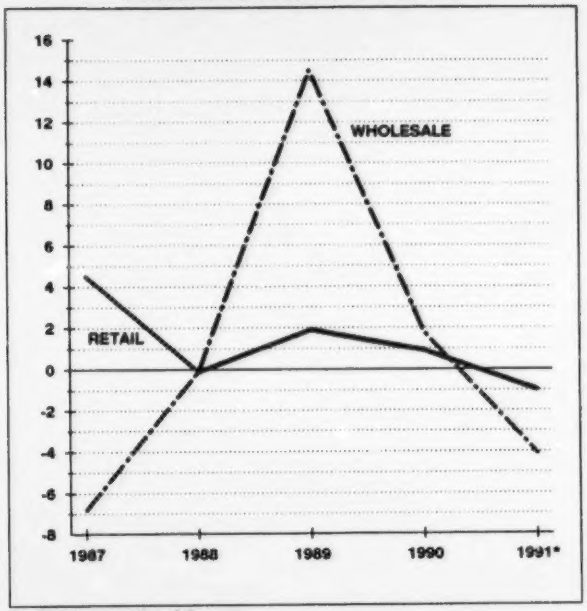
UTILIZATION OF HUMAN RESOURCES

Employment declined slightly in the trade sector in Québec. Wage settlements varied according to the sector, with increases in the retail sector and stability in the wholesale sector. In the trade sector overall, fewer days were lost through work stoppages in 1991 than in the past.

EMPLOYMENT

Employment in the trade sector declined by 1.9 % in 1991, equivalent to the loss of 10200 jobs (data for the first ten months of the year), a turnaround from the preceding year. According to data for the first ten months of 1990, a sharp upturn (5.6 %) in employment in the wholesale trade sector meant that the trade sector as a whole recorded a modest increase in employment (1.4 %). In 1991, the loss of 6300 jobs in the wholesale trade sector, a 4.1 % drop, was responsible for the slight downturn in employment in the sector. This trend was even more pronounced in the Ontario wholesale trade sector, which lost 28000 jobs, or 12.3 % of the total. In Ontario, as in Québec, most of the jobs lost in the wholesale trade sector were full-time positions.

EMPLOYMENT IN THE TRADE SECTOR
QUÉBEC
ANNUAL PERCENTAGE CHANGE



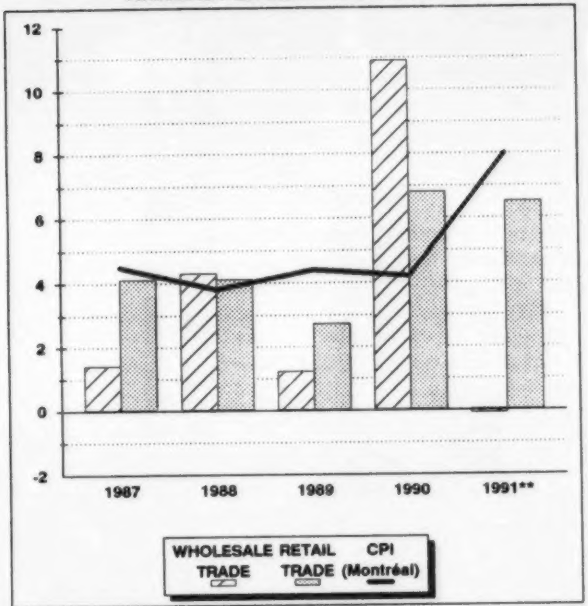
* First ten months of the year.

Employment in the retail trade sector changed little; it fell 1.0 % in Québec and rose 0.8 % in Ontario. However, it should be noted that in this sub-sector part-time jobs largely replaced full-time positions, at least in Québec. In 1991, Québec lost 10300 full-time jobs, a 3.4 % drop, while part-time employment rose by 6.5 %, equivalent to 6100 new jobs. The extent of this shift was not as apparent in Ontario. The provinces other than Ontario and Québec lost 31000 full-time jobs in this sub-sector in 1991, but created only 1000 part-time jobs.

WAGES

During the 1980s, wage increases in the trade sector overall closely followed the Québec inflation rate, although this trend ceased in 1990. Since 1991, they have varied widely in different segments of the trade sector. Average hourly wages

AVERAGE HOURLY EARNINGS IN THE TRADE SECTOR*
QUÉBEC
ANNUAL PERCENTAGE CHANGE



* Employees paid by the hour (including overtime).
** First eight months of the year.

in the retail sector increased by 6.5 % (data for the first eight months of the year) and striking variations were noted from one sector to another. In the wholesale trade sector, the contrasts were less striking: average hourly wages climbed 10.9 % in 1990, but remained unchanged in 1991.

LABOUR RELATIONS

Between January and September 1991, over 19000 workers in the Québec trade sector engaged in collective bargaining. Only 7 % have resorted to strike action until now. In the fourth quarter, the collective agreements of 5300 workers will be up for negotiation.

The number of person-days lost through work stoppages in the trade sector vary perceptibly from one year to the next. A comparison of the first nine months of 1990 and 1991 reveals an increase of 67000 in the number of person-days lost. While the figure in the wholesale trade sector was up 77.7 %, it dropped 28.5 % in the retail trade sector. The trend toward more prolonged strikes noted in recent years appeared to resolve itself in 1991, when the average number of days lost per person totalled 32.1 (data for the first nine months of the year), compared with 53.9 in 1990. In 1992, more than 460 collective agreements will expire, involving over 23700 unionized employees, a 3.4 % decrease over 1991. The employees of two major retailers will engage in collective bargaining, i.e. Provigo (2500 unionized workers) and the Société des alcools (2700 workers).

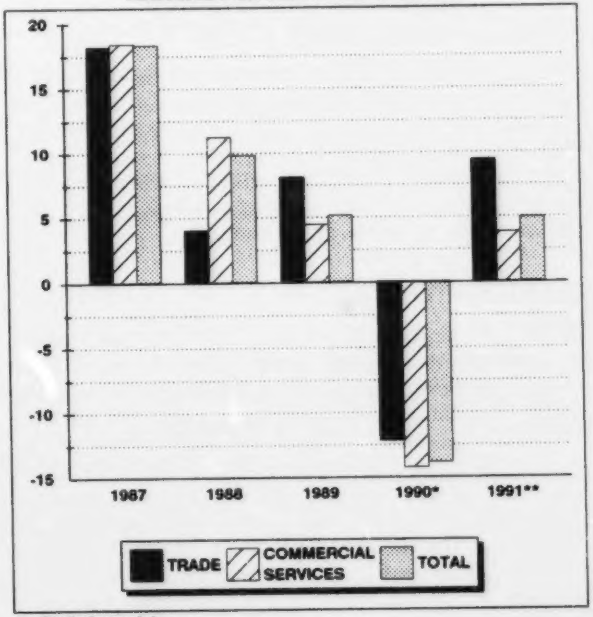
UTILIZATION OF OTHER FACTORS OF PRODUCTION

INVESTMENT

According to the Statistics Canada survey on investment intentions published every year in February, capital spending in the trade sector should rise 9.4 % (in current dollars) in 1991. From this observation it should not be inferred that a wave of optimism has swept over merchants. Indeed, the latter have curtailed the investment intentions announced earlier in the year. Moreover, the increase forecast by Statistics Canada is entirely attributable to one sub-sector, the automobile trade. In the rest of the trade sector, a 6.8 % downturn is expected (in current dollars).

The 63.1 % increase over one year in capital spending in automobile-related trade can be explained by the legal obligation of gas stations to install storage tanks that meet new environmental standards. Capital spending in the automobile trade sub-sector should have grown by $80 million in one year, with part of the increase occurring in 1990. At the time, Statistics Canada forecast a 35.0 % jump in capital spending in automobile-related trade in 1990, that it ascribed entirely to gas station chains. In fact, a 2.8 % drop occurred. For this reason, Statistics Canada concluded that

CAPITAL EXPENDITURES
TRADE AND COMMERCIAL SERVICES
QUÉBEC
ANNUAL PERCENTAGE CHANGE



* Preliminary data.
** Forecast.

the funds the gas stations did not spend in 1990 would be spent in 1991.

Capital spending in the Québec trade, commercial services and financial sectors declined by 2.4 % in 1991, attributable to a 7.8 % drop in construction expenditures. Machinery and equipment expenditures are expected to rise by 2.4 %. The Québec/Canada ratio of capital expenditures in the three sectors combined has slipped steadily since 1987, from 21.9 % to 19.5 % in 1991. However, it is still above the level it reached in the early 1980s, when it averaged 16.4 %.

COMPETITIVENESS

A sharp drop in demand has caused profitability in the trade sector to nosedive. Falling profits have been accompanied by growing numbers of bankruptcies.

PROFITS

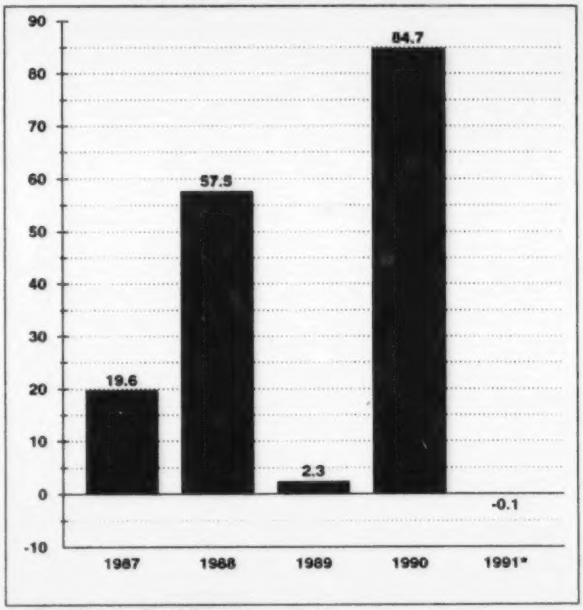
A comparison of the first halves of 1990 and 1991 reveal that operating profits in the trade sector in Canada shrunk noticeably, i.e. by 52.2 %. Indeed, 1990 profits were already 31.0 % lower than in 1989. The profitability of commercial enterprises was especially hard hit in the first quarter of 1991, when the combined effect of the recession and the sales tax reform significantly weakened consumer demand.

Retailers' profits slid by 39.1 % in 1991. Waning department store sales affected profits, which plunged 56.1 %. Automobile dealers also experienced declining sales and profits were down 21.9 %. Food stores, which enjoy a stable market, recorded only a 2.4 % drop in operating income.

In 1991, wholesalers' profits dived 63.9 %, an even poorer showing than retail trade figures. Operating losses were recorded in a number of sub-sectors. The marked downturn in the construction industry caused losses of several tens of millions of dollars in the construction materials and metal products (hardware) sectors. Food wholesalers saw their profits tumble by 18.0 %, unlike retailers.

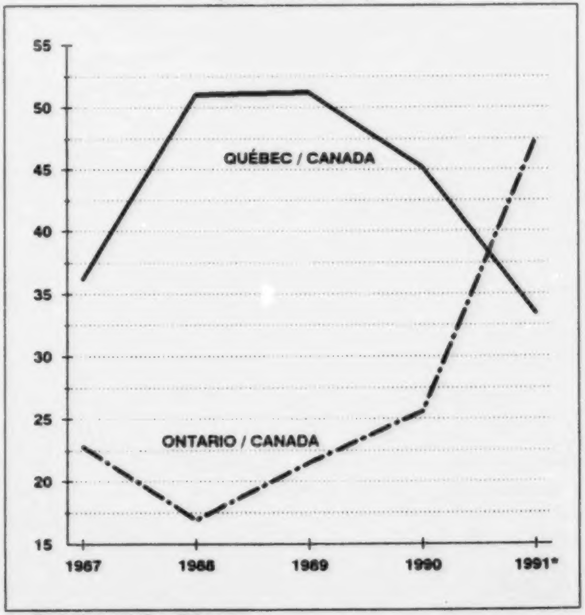
BANKRUPTCIES

In 1991, the financial position of households deteriorated. Sluggish growth in income, growing debt, the high cost of credit, burgeoning unemployment, and higher taxes significantly curtailed personal spending on goods and services. During an economic slowdown, the trade sector is one of the first to suffer from lagging demand. As a result, the number of bankruptcies in the Québec trade sector rose by 7.2 %. In a nine-month period, 1 308 businesses filed for bankruptcy. The attendant liabilities totalled $332 million, unchanged from the figure for the first nine months of 1990, although the change between 1989 and 1990 reached a record level of 84.7 %. In Ontario, bankruptcies were up 27.0 % in 1991, and attendant liabilities, 190.8 % (data for



ATTENDANT LIABILITIES IN BANKRUPTCIES
TRADE SECTOR
QUÉBEC
ANNUAL PERCENTAGE CHANGE

* First nine months of the year.



ATTENDANT LIABILITIES IN BANKRUPTCIES
TRADE SECTOR
QUÉBEC / CANADA AND ONTARIO / CANADA
(PERCENTAGE)

* First nine months of the year.

the first nine months of the year). In Canada as a whole, the increases were 14.5 % and 43.0 %, respectively.

As was the case the previous year, the number of bankruptcies jumped more sharply among Québec wholesalers than among retailers. All told, 347 wholesale firms filed for bankruptcy in 1991, a 22.6 % increase over 1990 (data for the first nine months of the year). Attendant liabilities rose by 9.7 %, to $125 million. During the same period, 961 Québec retailers went bankrupt, a 2.6 % increase, although at $208 million, attendant liabilities were down 5.2 %.

Contrary to the situation prevailing in Québec, the increase in trade sector bankruptcies in Ontario and Canada as a whole cannot be attributed primarily to failures in the wholesale sector. During the first nine months of 1991, 33.3 % of Ontario bankruptcies occurred in the wholesale sector, and attendant liabilities increased by 46.8 %, compared with 25.3 % and 11.5 %, respectively, in Canada overall. At the same time, the number of bankruptcies in the Ontario retail trade sector climbed 25.5 %, and attendant liabilities, 245.2 %, compared with 11.5 % and 59.4 %, respectively, in Canada overall. The extent of the increases noted in Ontario explains that, on the basis of the scope of attendant liabilities in the trade sector overall, Québec's share in the Canadian total declined from 51.0 % in 1988 to 32.6 % in 1991.

Consumers are facing difficult times. In 1991, they had to cope with a new form of sales tax, which led them to reduce and better plan consumption. In this perspective, cross-border shopping became much more appealing and indeed grew considerably in 1991. This situation has aroused considerable anxiety in the Québec and Canadian trade sectors.

ANALYSIS BY INDUSTRY GROUP

ANALYSIS BY INDUSTRY GROUP

DURABLE GOODS

WOOD

All analysts concur that the Québec forest industry is experiencing a dire crisis. To deal with the situation, the establishment of a special committee made up of representatives of government departments, the unions and employers was announced on October 17, 1991. The committee is expected to submit its report shortly.

Various statistics clearly reveal the emergency facing an industry that is directly or indirectly responsible for nearly 1 million jobs in Canada. According to the Association des manufacturiers de bois de sciage du Québec, wood prices plummeted 30% (in constant dollars) over a four-year period, and Québec output seems slated to drop from 5 billion board feet in 1987 to 3.5 billion in 1991. The Association des industries forestières du Québec predicts that forest industry losses (wood and paper) in Québec will total $500 million in 1991, on turnover of $7 billion. A Price Waterhouse study estimates Canadian losses for the year at $2 billion.

Quite obviously, the forest industry is no longer faced solely with the economic problems that affected it in 1989 and 1990. The construction sector was sluggish in 1991 in the United States and Canada, which sharply curtailed sales by wood producers. Similarly, the general economic slowdown resulted almost automatically in reduced demand for paper, as is the case in every recession, and a cutback in wood chip purchases from sawmills. Rapid deterioration in the forest sector, at a time when the North American economy is emerging from the recession, reveals a deeper problem. Indeed, the very structure of the Québec and Canadian industries and their traditional role in world trade in forest products are being called into question. The Price Waterhouse study mentioned earlier illustrates this point. According to the study, Canada has five of the 50 biggest forest products companies in the world. In 1990, only five of the 50 recorded losses, and four of them were Canadian: Abitibi-Price, Domtar, Noranda and Canadian Pacific Forest Products. Results for 1991 should be even more disappointing.

For the purpose of analysis, it is useful to distinguish problems pertaining to lumber, and those pertaining to wood chips, although it should be remembered that many sawmills produce both. Half the timber cut is sold in the form of chips; the problems facing forest products companies in obtaining wood supplies are identical in both instances. What sets the two market segments apart is the different dynamic in demand for the product. Lumber is mainly sold to the construction industry. According to a National Bank study, it is readily apparent why lumber output has fallen by 30 % since 1987 in Québec and exports to the United States dropped from 47 % in 1985 to 35 % in 1990. High interest rates, the Canadian recession, fewer building starts, the high exchange rate on the Canadian dollar and the American recession have affected this and many other segments of the manufacturing sector. These are well-known occurences in the business cycle.

In this respect, lumber actually enjoys an advantage, as analysts maintain that, within the forest products industry, it has the best chance of experiencing renewed vigour. Interest rates have fallen sharply and the economy is on the road to recovery, although for the time being it is generally modest and precarious. Construction is showing signs of a revival in Canada; building starts can hardly decline further in the United States where they decreased from 1.8 million in 1987 to 1.2 million in 1990, and 1 million in 1991.

A major threat hanging over the industry concerns export duties on lumber shipped to the United States, a complex issue.

The very powerful lumber producers' lobby in the U.S. claims that the provinces unduly subsidize local lumber producers by setting artificially low stumpage fees in public forests. Canada has always protested against this accusation. In 1986, political and commercial debate on the matter became especially keen, as the weak Canadian dollar exacerbated the problem. The American lobby demanded a 33 % duty on Canadian wood, while the U.S. government threatened to impose a 15 % tax as of December 31 of that year. At first, the Canadian government firmly resisted this threat but, at the eleventh hour, negotiated a bilateral agreement with the Americans, under which Canada would tax its own producers exporting to the United States. The duties collected would be returned to the provinces.

In the wake of the 1986 agreement, Québec and British Columbia decided to raise stumpage fees, with the result that the federal tax applicable to producers in the provinces was reduced, with the consent of American authorities. The tax on British Columbia exports dropped to zero and that on Québec exports, to 6.2 %, with a further reduction to 3.1 % slated to come into effect on November 1, 1991. The Atlantic provinces were also exempted from the tax because of limited timber cutting in public forests. Thus, the provinces ensured that the funds collected would benefit them. However, the other provinces, including Ontario, preferred to leave stumpage fees as they were, thereby encouraging their producers to give priority to supplying the local market.

On September 3, 1991, the federal government decided to unilaterally suspend the agreement reached five years earlier with the U.S. government. As a result, all Canadian taxes on lumber exports were abolished. Ottawa justified its decision by invoking the significant changes that had occurred in the industry since 1986, i.e. the higher exchange rate on the Canadian dollar, and higher stumpage fees in British Columbia and Québec, which had pared down Canadian exports on the U.S. market from 33 % to 26 %, while the provinces still subject to the full 15 % rate of the tax now accounted for only 8 % of such exports. The federal government decision, reached without consulting Québec, might have put Ontario at a considerable advantage, as it was freed of the tax without having altered its stumpage fees. British Columbia, the main lumber exporter, was now free to lower the stumpage fees that it had raised earlier. Québec had decidedly less to gain through the repudiation of the agreement. A lumber tax rate of only 3.1 %, compared with the 15 % paid by Ontario producers, gave the Québec forest products industry an appreciable edge on the northeastern American market. Québec's revised stumpage fees, part of a recently adopted forest policy, cannot be modified arbitrarily.

Québec would have been at risk had the United States reacted indiscriminately to the Canadian government's gesture and punished all of the provinces. In the short run, these fears have been unfounded. Washington has simply replaced the Canadian government as the collector of the taxes in effect prior to September 3, 1991. Indeed, it followed up on the promise to reduce as of November 1 the rate applicable to Québec, from 6.2 % to 3.1 %, although the measure is temporary. A study is being conducted in the U.S. before the American government reaches a final decision. The risk remains for Québec that Washington will give in to the strong protectionist pressure exercised by the American lumber producers' lobby. Ottawa has already filed a complaint with GATT to protest the American decision. However, the procedure is protracted and the outcome uncertain.

Sales of Québec wood chips are coming up against problems that are different from those facing sales of lumber, as the domestic paper industry is the main, if not sole, buyer of this product.

The eastern Canadian paper industry is going through distressing times. Paper mill machinery is ageing or obsolete and productivity low. Substantial investments are needed to clean up production processes that appear to be increasingly out of step with international pollution standards. At the same time, the makeup of demand for paper is changing rapidly, especially in light of the American decision to make mandatory the use of recycled paper, sources of which are found in the U.S., not Canada.

Scarcely had Donohue completed its facilities in Matane and Cascades its new plant in Port-Cartier than both were closed. The collapse of market prices in 1991 revealed their structural misadaptation to new conditions governing demand. The exceedingly high exchange rate on the Canadian dollar and slack demand for paper in the United States, combined with the American recession, temporarily exacerbated these structural problems, painfully highlighting the need for the Québec paper industry to rethink its strategies.

Wood chip producers can only suffer from the major difficulties facing their client industry. This is especially true because they, too, must strive hard to overcome the handicaps facing paper producers. Outmoded equipment and high wages do not foster competitiveness.

Competition from tropical countries, where eucalyptus is a valuable source of wood, is becoming keener. At the same time, more stringent environmental standards have curtailed the competitiveness of the Québec industry. This trend is apparent at all levels: end users are turning to recycled paper, intermediate producers are fighting pollution from paper mills, and wood chip producers are paying higher stumpage fees and coping with the obligation to reforest. Trees do not grow quickly in the northern climate.

The Forest Act (R.S.Q., c. F-4.1), which the Québec government adopted in December 1986, includes specific constraints on producers, which inevitably increase costs. Moreover, the allocation of forest development and supply contracts stipulated in the Act has had a marked effect on the industry. Major paper manufacturers have bought out small independent sawmills in order to directly control a portion of the contracts. The firms wish to group several contracts with respect to a single mill, claiming that it is important for them to streamline the production of wood chips. However, transferring contracts in this manner would undermine fairness and come up against regional development constraints. Small sawmills are often established in communities with no other significant economic resources.

The difficulties the wood industry must overcome extend largely beyond the recession. Producers, employees and governments have no other choice but to collaborate in a realistic, open fashion to enable the sector to survive and continue contributing to collective wealth, a key component of Québec's prosperity. Important strides in this direction were made in 1991 both through greater awareness and through the initiatives taken in the fall.

FURNITURE

Statistics clearly show that the Québec furniture sector did not regain in 1991 the ground it lost in 1990. To the contrary, the economic picture in the industry became even gloomier. Measured in constant dollars, shipments plunged by nearly 25% in two years, i.e a 15.5% drop in 1990 and 8.7% in 1991 (data for the first nine months of each year). A similar decline was recorded in Canada overall.

Inevitably, dwindling shipments meant that manufacturers' rates of capacity utilization also fell. The Canadian rate dropped to 64.1% in the first quarter, rising only slightly in the second to 65.0%. Lower rates had not been recorded in at least 20 years, except at the height of the recession in the early 80's, from the winter of 1982 to the spring of 1983.

Employment also fell. According to the Statistics Canada labour force survey, the Québec furniture industry was expected to lose 38% of its jobs in 1991 (data for the first ten months of the year). However, because of the survey techniques used, caution must be exercised when the figure is interpreted. In another Statistics Canada survey (Employment, Earnings and Hours), a more likely 8.3% decline was forecast (data for the first eight months of the year).

Under the circumstances, widespread business failures are hardly surprising. During the first nine months of the year, there were 54 bankruptcies in the Québec furniture sector, nearly 60% of the Canadian total, although Québec accounts for only 33% of all Canadian furniture shipments. This situation is due in part to the predominance of small businesses in Québec, which was also true in 1990. Similarly, it readily explains how the sector, which contributes only 2% of Québec's overall manufacturing shipments, accounted for 13% of bankruptcies in the manufacturing sector.

Investment is bloodless: for the fourth consecutive year, it dropped sharply. According to the Statistics Canada survey conducted early in the year, investment intentions in the furniture industry are only equivalent to one-third their level in 1987. Were the decline measured in constant dollars, it would stand out even more. Capital spending on construction was especially hard hit. Having decreased by 85% over four years, in 1991 it totalled a paltry $1.5 million.

While it is easy to pinpoint the causes of the general downturn in the furniture industry, ascertaining the responsibility of each industry is not a simple task. The main question focuses on the relative importance of the recession and of the structural upheaval in the furniture industry.

Furniture is particularly durable and consumers often postpone replacing it. For this reason, the furniture industry is highly sensitive to economic conditions. New housing is one of the most cyclical components of overall demand, as is demand for furniture spawned by additions to the stock of housing. In Québec, the "Deal Estate" program has made it possible to cushion the blow the furniture industry has received but has not eliminated it.

In addition to flagging demand, the industry has had to cope with high interest rates at the very time that the implementation of the Canada-U.S. Free Trade Agreement imposed major industrial adaptations. Québec firms, nearly all of which are small, are often not in a position to obtain financing, especially as conditions on the furniture market have not favoured self-financing. While interest rates did fall considerably in 1991, the main effect of lower rates has been to spark demand, not modify supply, a process which is much more protracted.

The high exchange rate on the U.S. dollar is often cited as one of the economic problems that hindered the furniture industry in 1991; it has a twofold effect. Given the limited size of the Québec or even the Canadian markets, many of the most dynamic furniture manufacturers focus on exports to the United States in their marketing strategies. In 1990 and 1991, Canadian furniture exports south of the border declined. At the same time, a number of American manufacturers, who usually concentrate on the domestic market, sought external outlets for their products, in response to the recession, and looked first and foremost to Canada. Bearing in mind the combined effect of fluctuating exchange rates and lower customs tariffs, the advantage accorded in two and a half years to American exporters on the Canadian market reached some 20%. Furniture imports from the United States appear to have skyrocketed in 1990, according to American data. Initial figures indicate that imports continued to climb in 1991, at a more moderate pace.

Two recent major structural changes have also affected the development of the Québec furniture industry, i.e. tax reforms and the implementation of the Canada-U.S. Free Trade Agreement.

Because of the strong tariff protection the Canadian industry enjoyed (15% upon entry, compared with a 6% tariff on furniture entering the United States), and given that local firms are smaller than their American competitors, Québec requested that a 10-year transition period be allowed on furniture, especially home furnishings. This recommendation was not adopted in the final version of the Agreement, thus obliging the furniture industry to adapt rapidly in economically difficult times.

The tax reforms introduced on January 1, 1991 have affected the furniture sector in a complex manner. On the domestic market, the effect of the new federal goods and services tax appears to have been positive, although to a very limited degree, as one tax was replaced by another. However, on external markets, the GST is equivalent to the elimination of the tax, a vital shot in the arm for exporting firms fighting against the effects of increasingly punishing exchange rates. Under the Québec PST, an exemption granted several years ago was revoked, with consequences for demand that such a measure could not fail to engender.

An array of problems have arisen, some due to the general economic recession, others to the permanent modification of market rules pertaining to tariffs and taxes. However, furniture industry representatives vigorously reject the label "soft industry". Numerous furniture producers use advanced technologies and are as dynamic as other manufacturers. While the situation appears momentarily gloomy, it must be remembered that 1990 and 1991 have witnessed what are acknowledged to be necessary structural adaptations which have occurred at an awkward time in the business cycle.

Takeovers are still occurring, especially in the office furniture sector. Artopex's buyout of Biltrite Nightingale is one example that comes to mind. A number of the mergers concluded in the late 1980s, however, have since been abandoned. Bestar is in the process of selling off Décabois, purchased in 1987. The few plants bought in the United States by entrepreneurs from Québec have not produced all the anticipated results either. In times of economic adversity, Québec furniture manufacturers tend to fall back on the familiar instead of diversifying.

However, the same manufacturers believe that their future lies in the American market, once the exchange rate on the Canadian dollar has fallen. The rapid implementation of the Canada-U.S. Free Trade Agreement immediately pitted them against powerful American manufacturers dogged by a recession on their own market. Though the industry is now facing stiff competition on its home market in Québec, it is well equipped to face the future. It is innovative and occupies a pivotal position between European design and American manufacturing, a significant advantage. Another striking feature of the industry is its cohesiveness and its willingness to promote internal cooperation. Specific initiatives are already being carried out to promote Québec furniture and to train specialized manpower, in short supply in the province. Other projects are under study. The industry clearly wishes to keep the upper hand in a struggle which has been launched at a low point, but which will undoubtedly continue once the 1990-1991 recession is far behind.

PRIMARY METALS

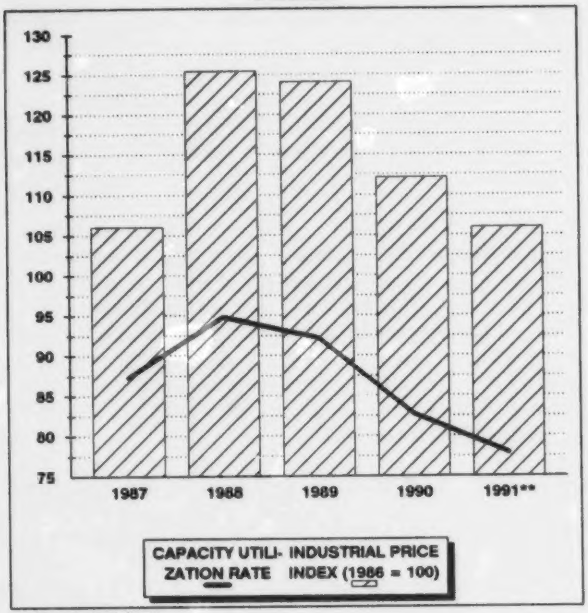
The Québec primary metals industry has taken a beating because of depressed demand for automobiles, the drop in housing starts and collapsing metal prices. Output fell by 12.3% in 1990; in the first nine months of 1991, shipments declined by 8.9%. In Canada as a whole, shipments shrunk by 12.5%.

To reestablish balance between output and changing demand, the industry has sought to tighten up management of inventories and staff. In 1991, inventories of finished products decreased by 14.4% (data for the first nine months of the year), while the number of wage earners fell by 5% (data for the first eight months of the year). Stelco Steel and Sidbec-Dosco, among others, laid off workers.

Faced with sluggish demand on domestic and foreign markets, the industry reduced capacity utilization. The Canadian capacity utilization rate, which hovered for five years around 87%, settled under the 80% mark in 1991 (data for the second quarter of the year).

In 1991, the sustained pace of growth in capital expenditures faltered, after rising 287% between 1987 and 1990. Total expenditure was expected to reach $1.9 billion in 1991, a 2.1% increase. Even then, the primary metals industry alone accounted for 34% of capital spending in the Québec manufacturing sector. A comparison of the

CAPACITY UTILIZATION RATES* AND INDUSTRIAL PRICE INDEX PRIMARY METALS CANADA



* As a percentage.
** First six months of the year.

Québec/Canada capital expenditures ratio clearly reveals the strong upturn in the Québec primary metals industry: from 33.0 % in 1987, the ratio climbed to 65.2 % in 1991.

The realization of megaprojects in the aluminum sector helped consolidate Québec's position on the world market. Expansion of the ABI smelter in Bécancour, at a cost of $500 million, and of the Reynolds plant in Baie-Comeau, worth $520 million, was completed in early 1991. Construction of the new $1-billion Lauralco aluminum smelter in Deschambault, and the $1.4-billion Alouette facility in Sept-Îles, is on schedule; the first pot line will go into operation in April and June 1992, respectively. In the processing sector, Reynolds Cable will start up its new $49-million aluminum rod plant in Bécancour.

The world aluminum market is unbalanced. Demand is stagnating, or indeed, collapsing. Output from recently completed facilities and exports from the Soviet Union are inundating the market. While a number of international firms, notably Alcan, are reducing production, a major correction of the price of aluminum ingots is unlikely in the short run. However, long-term growth prospects are promising. The industry is banking on new energy efficiency norms imposed on auto makers and initiatives such as the recycling of cans to increase its market share.

The iron and steel industry is having to streamline output, in response to sluggish demand, the increasingly widespread replacement of steel by plastic and aluminum, and a loss of competitiveness on export markets because of an appreciating Canadian dollar. Steel companies must cooperate in implementing joint initiatives aimed at restoring vitality. Dofasco, Stelco, Sidbec-Dosco, Ivaco and Ipasco have set up the Bessemer Project, aimed at designing, developing and marketing a thin-strip steel production process using liquid steel. This $41.9-million R&D project is a step in the right direction.

The iron alloy sector has been hard hit by the recession: silicon production was temporarily halted at SKW in Bécancour, Elkem closed its silico-manganese and ferromanganese alloy plant, and Timminco, its ferrosilicon plant, both located in Beauharnois. Substantial exports from Brazil, Argentina and the People's Republic of China are destabilizing the market and exacerbating sagging prices. These exports are now under investigation and they may face countervailing duties in the United States. Only brisker demand for steel could boost prices.

In the zinc sector, the inauguration of the new $120-million electrolysis hall at the Canadian Electrolytic Zinc plant will make it possible to achieve three major objectives: long-term profitability, increased flexibility in light of market fluctuations, and enhanced productivity.

The economic situation has lowered demand and prices in the magnesium sector. In May 1989, Norsk Hydro put its Bécancour plant into operation, at a time when competition was already very keen, especially on the North American market. Some 38 % of the facility's output is sold in the United States; it accounts for nearly 10 % of this market.

At the request of an American producer, the U.S. Department of Commerce is conducting an investigation of dumping charges against the Canadian magnesium industry and the appropriateness of imposing countervailing duties. Mention should be made of the growing popularity of the Institut de la technologie du magnésium in Québec City, which now has over 26 members, including General Motors, Honda, Mazda and Nissan. The only one of its kind in the world, the research centre was established to develop new magnesium-based products and applications.

FABRICATED METAL PRODUCTS

The recession has dealt a hard blow to the Québec fabricated metal products industry. Employment plummeted by 15.8 % in 1991 (data for the first eight months of the year), to virtually the same level as in 1986. Massive layoffs at Sivaco and Infasco, two divisions of Ivaco, reflect the problems experienced throughout North America by clients in the automobile manufacturing and construction industries. In addition to numerous temporary layoffs, a number of SMBs shut down, with the result that, during the first nine months of 1991, 35 bankruptcies were recorded, compared with 21 in 1990 overall. Other companies streamlined their operations by moving production facilities to Ontario (Canvil, from Granby) or the United States (Rockwell International, from Lacolle).

Demand was even more torpid than it was in 1989. After declining by 3.1% in 1990, Québec manufacturers' shipments fell by 8.7% in the first nine months of 1991, compared with 11.9% for Canada as a whole. However, tighter control over inventories helped to maintain the inventory-to-shipments ratio. In Canada overall, the capacity utilization rate fell to its lowest level since 1983, from 76.1% in 1990 to 67.0% in 1991 (data for the second quarter of the year).

New regulations governing metal storage tanks in gas stations, which came into force on July 11, 1991, risk putting the industry at a disadvantage. Installation standards are engendering much higher costs than before and demand for this type of storage tank should decline in the coming months.

The economic climate is hardly conducive to new investment projects. Since it reached a peak in 1987, capital spending fell for the fourth consecutive year, by 16.2% in 1991 (the 1990 drop was 22.8%). Expenditures were barely half the 1987 figure. The Québec/Canada capitalization ratio reached 21.6% in 1991, compared with 24.1% in 1987.

Sorevco, a partnership of Sidbec-Dosco, completed the construction in Coteau-du-Lac of a $50-million galvanizing plant, capable of producing 125000 tons a year of high-quality galvanized steel.

MACHINERY

After seven consecutive years of uninterrupted growth, the Québec machinery industry suffered the effects in 1991 of the general economic downturn that began a year earlier. While shipments were up 4.7% in 1990, they declined by 17.0% in 1991 (data for the first nine months of the year).

Orders have been falling sharply over the past two years; they decreased by 14% in Canada as a whole in 1991 (data for the first nine months of the year), marking a record since 1983, at the end of the previous recession. Machinery manufacturers maintained inventories at fairly high levels from the beginning of the year. During the first nine months of 1991, the average Canadian inventory-to-shipments ratio reached 71%, compared with roughly 59% over the preceding two years. After increasing markedly during the previous three years, Québec machinery exports slowed considerably during the first eight months of 1991.

Flagging investment in the Québec manufacturing sector overall explains the downturn in machinery purchases, including imports. The industry is the most sensitive of all to the vitality of its manufacturing clients, although the impact of a general economic slowdown is usually felt in the sector with roughly six months' delay. This explains fairly solid performance in terms of employment.

Capital expenditures, expected at the beginning of 1991 to reach $151 million, fell by 4.7%, compared with 9.6% for the manufacturing sector overall. Bearing in mind subsequent changes in the economic climate, final results may be even more disappointing. Some 87% of the capital spending in the machinery industry was devoted to machines and equipment.

In 1991, the streamlining process was stepped up. The recession compelled a number of firms to pare down staff, rely more heavily on automation, or make greater use of subcontracting. This was especially true in the case of turbines and energy transmission equipment, valves, taps and pumps. Other companies focused on consolidating their operations to remain competitive. Strategic alliances were formed, major restructuring was carried out, and a number of sectors were abandoned.

Since 1988, the Canadian capacity utilization rate in the machinery sector has slid steadily, reaching 56.1% in the second quarter of 1991, compared with 79.9% in 1988. Operating profits decreased by 29.0% in 1990, and 34.9% in the first half of 1991. A precarious financial structure and technological weaknesses combined with a chronic shortage of qualified workers and limited access to foreign markets further weakened Québec SMBs in the sector, which is highly sensitive to economic conditions. Bankruptcies were numerous.

A number of businesses nonetheless completed investment projects. One example is Machines Outils Henri Liné, which obtained subcontracting work in the aeronautics field.

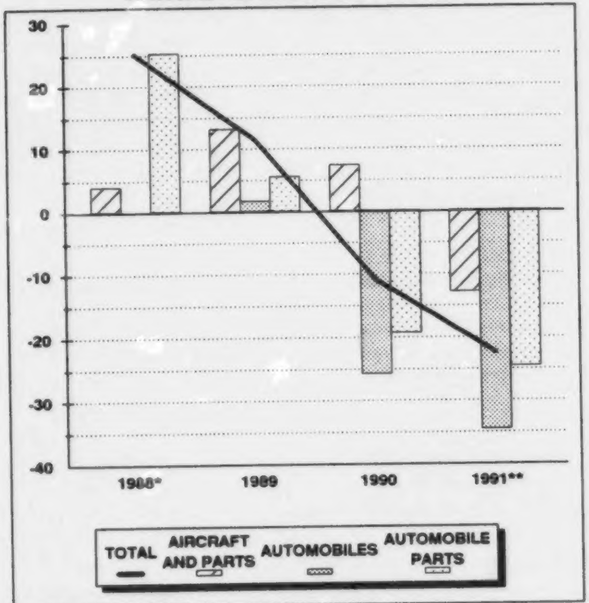
TRANSPORTATION EQUIPMENT

During the first nine months of 1991, shipments in the Québec transportation equipment industry declined by 23.1% in relation to the corresponding period in 1990, when they plunged 11.0%. A number of sub-sectors, especially aeronautics, enjoyed striking successes during the year.

The downturn was particularly noticeable in the case of automobiles (a 35% drop) and automobile parts and accessories (a 25% drop). Both sub-sectors of the transportation equipment industry recorded sizable decreases in 1990, a change due first and foremost to the elimination of one of two shifts at the General Motors Boisbriand auto assembly plant in July 1990. In July 1991, the company decided to temporarily halt operations at the plant to retool for production of the new Firebird and Camaro models.

North American demand for railway rolling stock, military equipment, pleasure boats and aircraft engines is also dwindling. Available data for the first eight months of 1991

MANUFACTURERS' SHIPMENTS
TRANSPORTATION EQUIPMENT INDUSTRY
QUÉBEC
ANNUAL PERCENTAGE CHANGE



* Data concerning the automobile sub-group are not available.
** First eight months of the year.

reveal a 31 % plunge in Québec shipments in the boat construction and repair sub-sector in relation to the corresponding period of 1990, and a 13 % drop in the aircraft and parts industry. Québec's share of Canadian shipments in the transportation equipment sector fell to 10.1 %, compared to an average of 12.5 % during the previous three years.

The Canadian capacity utilization rate in the industry went from 82.5 % in 1988 to 65.5 % in mid-1991, a reduction that cannot be explained by extensive plant openings. Capital expenditures in Canada decreased by 15.5 % in 1989 and 32.8 % in 1990. According to the Statistics Canada survey conducted at the beginning of the year, investment was expected to increase by 13.4 % in Canada overall, and by 2.0 % in Québec. Québec's share of total capital spending by the transportation equipment industry in Canada was 19.2 %, equivalent to outlays of $357.2 million.

In 1991, the Québec industry employed 36080 workers (data for the first eight months of the year), a decrease of 13.5 % in relation to the corresponding period in 1990, attributable mainly to the temporary closing of the General Motors plant and 1200 layoffs at Pratt & Whitney.

Over the past 10 years, the industry in Québec has, on average, exported over two-thirds of its output. During the first eight months of 1991, increased exports in the aeronautics sector did not completely offset lagging exports in the automobile and railway rolling stock sectors. All told, Québec's international exports declined slightly.

Despite brisk exports in the aeronautics sector, the industry witnessed 26 bankruptcies, a record, during the first nine months of 1991. Between 1982 and 1990, an average of eight companies a year declared bankruptcy. A number of firms operating in the pleasure boat, truck chassis and trailer, railway rolling stock (freight) and spare auto parts sectors are experiencing problems or have shut down.

The gloomy economic climate did not prevent a number of investment projects in 1991, in particular the construction by Lear Seating of a new $1.3-million car seat plant. Other noteworthy projects include the new $215-million General Motors assembly line in Boisbriand, a $57-million investment by Prévost Car in Sainte-Claire to develop a new bus and to train staff, a $23-million investment by Waterville TG, a $20-million Bombardier project to develop a new subway for New York, and the $2-million Formtech project.

Regardless of the recession, the aeronautics sector enjoyed brisk sales in 1991, which open the way to substantial investment projects and a bright future.

Bell Helicopter Textron in Mirabel launched the production of a new, intermediate Bell 230 twin-engine helicopter, the fifth model now in production. Five years ago, no helicopters were manufactured in Canada. In 1991, the Mirabel plant accounted for one-third of worldwide commercial helicopter production and delivered its 500th aircraft in May. Over 90 % of the plant's output is sold abroad. Orders for 154 of the 206 series B and LIII models placed in February and interest aroused by the Bell 230, especially in Japan, will ensure high employment at the facility for at least two years.

In the same vein, last May, Bombardier's Canadair group carried out the inaugural flight of the first mass-produced Canadian jet airliner. Numerous firm orders have already been placed for the Regional Jet, three prototypes of which are undergoing test flights. The first aircraft are slated for delivery in the second half of 1992. Canadair will also start manufacturing its new amphibious CL-415 turbo prop in early 1992 at its Dorval plant. Firm orders for 20 aircraft will make it possible to maintain 700 jobs in the Montréal region, some of them at the Pratt & Whitney aircraft engine plant and the Héroux landing gear plant. The new CL-415 and the new turbo-prop version of the CL-215-T are the most recent of a series of amphibious aircraft designed and manufactured in Canada.

Héroux has earmarked $10 million for plant expansion. Pratt & Whitney has two major investment projects under way: $10 million will be invested in the engine overhaul facility, and $12 million devoted to the establishment of a world aircraft accessories centre. Dowty is also building an aircraft parts plant in Mirabel, worth $111 million.

NASA has submitted to Congress revised plans for the construction of Space Station Freedom. The plans confirm the participation of the Canadian team under the direction of Spar Aerospace, acting as prime contractor to supply service modules for the space station. Spar has also obtained contracts totalling $240 million to develop mobile satellites for Telesat Mobile and American Mobile Satellite Corporation. Participation in the RADARSAT program will generate $375 million for the company.

The Canadian Space Agency is responsible for managing Canadian participation in the Freedom project. It should be noted that construction began in June of the CSA's headquarters in Saint-Hubert, which will house specialized facilities and R&D laboratories. Moreover, the agency will manage scientific and space technology programs. All told, $55 million will be invested in the project.

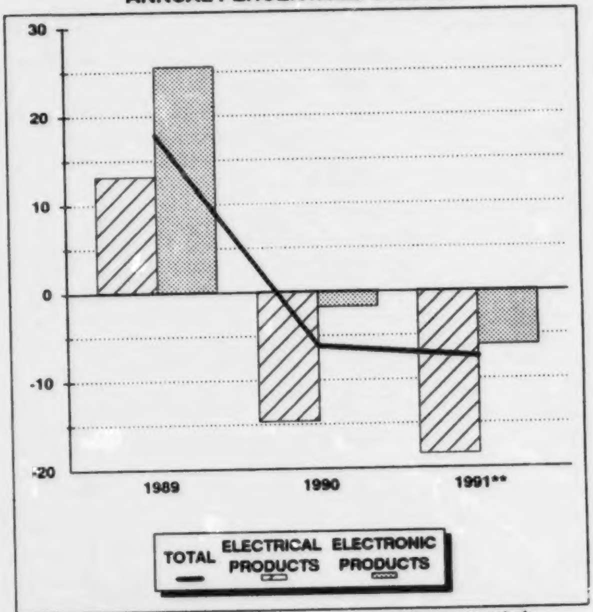
ELECTRICAL AND ELECTRONIC PRODUCTS

Following several years of vigorous growth, the Québec electrical and electronic products industry felt the effects of the 1990-1991 recession just as the manufacturing sector overall did. Shipments fell by 6.2 % in 1990, and 9.4 % in 1991 (comparison of the first nine months of the year). In Canada as a whole, the downturn was slightly less pronounced. All told, the industry is not suffering as much as the durable goods sector in general, which saw shipments plunge by 13.0 % in 1991.

The two major industrial subdivisions, electrical and electronic products, have divergent profiles. Although the recession buffeted the electronic products sector, Canadian shipments were fairly stable. Among the underlying reasons, mention should be made of the traditional contribution to growth of external demand. In the electrical products sector, shipments plummeted by over 15 % (first eight months of the year). Waning consumer spending, sluggish construction and shrinking industrial output are all contributing factors.

In Canada as a whole, the capacity utilization rate in the industry has been sliding since 1989, after remaining for several years above the 90 % mark. In the first quarter of 1991, the rate reached only 73.7 %. However, in the second quarter, it rose slightly to 75.3 %, still markedly ahead of the durable goods sector overall, in which the rate was 68.6 %. This is a sure sign that the industry and, in particular, the electronic products sector, are benefiting from favourable long-term trends.

MANUFACTURERS' SHIPMENTS
ELECTRICAL* AND ELECTRONIC PRODUCTS
QUÉBEC
ANNUAL PERCENTAGE CHANGE



* Statistics pertaining to the electrical products sub-group exclude the lighting fixtures and other electrical products industries, for which Québec data are confidential.

** First eight months of the year.

The economic situation also affected employment. Over the past three years, the workforce has shrunk by roughly 20 %, in line with the tendency noted in the Canadian industry and the entire manufacturing sector. Ebbing demand led to a number of layoffs in 1991. The operating profit of Canadian electrical products manufacturers has been melting away since 1989; an early, less dramatic downturn occurred in the electronic products sector.

Investment was nonetheless fairly strong in 1991, although it did not match the high growth rates recorded in 1988 and 1989. Once again, the electronic products sector stands out because of its vitality.

A number of mid-sized projects were pursued in 1991; others were undertaken during the year. CAE Electronics completed a $33-million expansion project, and Philips, a $50-million project. Mitel is spending $50 million on an expansion project launched in 1990. Circo Craft made various equipment purchases in 1991 for three of its plants, at a total cost of roughly $40 million.

Investment projects in the electrical products sub-group were fewer in number and more modest in scope. Inglis is spending $15 million to modernize its Montmagny plant; Asea Brown Boveri is building a $13-million transformer and capacitor plant in Québec City.

Although the communications services field is not an integral part of the electrical and electronic products industry, it is nonetheless closely tied to manufacturing in the sector. Bell-Northern Research is investing $350 million in R&D,

thus doubling the budget of its research centre on Île-des-Soeurs. In October, Teleglobe announced that it was augmenting its R&D budget by $200 million over five years. According to company management, Teleglobe's Québec facilities could receive up to 70 % of the additional funds and create 200 jobs.

In response to pressure from international competition and a weakened economy, the industry continue to streamline in 1991, a move reflected in investment, mergers and acquisitions, and plant closings. The trend affected the electronic products sub-sector, although not as extensively as the electrical products sub-sector.

Investment concentrated mainly on specialized niches enjoying strong growth, with particular emphasis on R&D. The restructuring under way also focused heavily on takeovers, a worldwide trend that frequently involves European firms, which are seeking to enhance their position on world and, especially, North American markets. This trend is illustrated by several takeovers involving companies with plants in Québec. In the wire and cable industry, the French firm Alcatel bought out Canada Cable. In the industrial electrical products field, Schneider, a French company, first acquired Federal Pioneer, and has just reached an agreement with Square-D (Federal Pioneer and Square-D are both American businesses with plants in Québec).

Short- and medium-term prospects for the Québec electrical and electronic products industry depend largely on the Canadian economy and international competition which, far from abating, will continue to spur Québec manufacturers even more intensely in the coming years. Competition is keen with respect to industries whose products have entered the mature phase of their life cycle and require extensive manpower. Québec enjoys few advantages in this type of production. While certain high-technology products demand a great deal in terms of innovation, a number of them do have noteworthy growth potential. The Québec industry has already succeeded in gaining a foothold in a number of fields and should pursue its efforts.

The upswing in construction and consumption, in Québec and elsewhere, while timid, will help the industry. Industrial electrical equipment manufacturers can count on a revival in the manufacturing sector, but must take into account the postponement of the Great Whale hydroelectric project.

NON-METALLIC MINERAL PRODUCTS

The Québec non-metallic mineral products industry, especially brick, cement and flat glass manufacturers, was hard hit by plummeting residential and industrial construction. The flat glass sector was also affected by the downturn in the automobile industry.

Shipments continued to decline, by 6.4 % in 1989, 11.0 % in 1990, and 17.5 % in 1991 (data for the first nine months of the year). This reversal contrasts sharply with the sustained growth observed between 1983 and 1988, when the average annual increase reached 9.6 %. This situation was accompanied by an appreciable upturn in the Canadian inventory-to-shipments ratio which, on average, stayed under the 58 % mark during the preceding five years, but averaged 77 % in 1991 (data for the first nine months of the year).

Sluggish demand compelled businesses to curtail production and, as a result, lay off workers: the number of wage earners decreased by 9.3 % in 1991 (data for the first eight months of the year). The industry in Canada as a whole was adversely affected by the downturn; the workforce was trimmed by 16.4 %.

The marked decline in the capacity utilization rate mirrors the industry's problems. The rate fell from 88.6 % in 1989 to 82.2 % in 1990, and to 66.8 % in 1991 (in all three instances, data are for the second quarter of the year).

Capital spending plunged by 60.0 % in 1991, by far the sharpest annual drop for at least 20 years. The same trend occurred in Ontario, but spread over two years, with a 25.9 % decrease in 1990 and 1991, attributable to rapid growth in capitalization over the preceding three years, and the weakened economy.

Numerous investment projects launched in 1990 were completed in 1991. The Domlim division of Graybec finished a $13-million expansion project designed to double the output of its limestone plant in Saint-Adolphe-de-Dudswell. Arriscraft has put into production its $11-million top-of-the-line lime and silicon plant in Saint-Étienne-des-Grès. In Thetford Mines, Granirex has started up production at its $18-million marble and crushed granite tile and slab plant.

New projects were also initiated during the year. Granicor will spend $1.5 million expanding its Saint-Augustin-de-Desmaures facilities. Béton Provincial is investing $2 million to build a concrete mixing plant in Bécancour. Ciment-Québec is examining the possibility of setting up a concrete plant and a lime plant in Grondines.

Production at the Glaverbec flat glas plant in Saint-Augustin-de-Desmaures hit its stride in 1991; despite hard times, daily output has been maintained at the normal level of 400 tons, part of which is sold on the local market, and part in Ontario and the Maritimes.

The New Orleans federal court of appeal overruled the regulation adopted by the Environmental Protection Agency in the United States, banning by 1996 most commercial uses of asbestos. This recent judgment will have a striking effect. Had the earlier prohibition been maintained, a number of countries could have imitated the United States, with calamitous consequences for the Québec industry. Québec is the world's leading exporter of asbestos and nearly 95 % of its output is sold elsewhere than the United States. The Institut québécois de l'amiante can use the favourable court ruling in the U.S. to continue promoting the safe use of asbestos fibre. The ministère des Transports du Québec has conducted a pilot project on a promising new bituminous paving material containing 1.5 % asbestos.

NON-DURABLE GOODS

FOOD AND BEVERAGES

The Québec food and beverages industry fared quite well during the last recession. A comparison of the first nine months of 1991 and 1990 reveals that food shipments grew by 2.1 %, at a time when Québec manufacturers' shipments declined by 7.2 %. An analysis in constant dollars would produce the same results, given that industrial food prices and average manufacturing prices have scarcely budged for two years. The food production sector undergoes periods of growth and recession, although the shifts are never of great magnitude. Between 1985 and 1991, changes in Québec shipments never dropped by more than 1.0 % nor rose by more than 3.8 %, due in part to stable demand for what are necessities.

As was the case in the food industry, growth in the Québec beverages industry outpaced the manufacturing sector overall. With a growth rate of 13.9 % (based on a comparison of the first nine months of 1991 and 1990), the industry was one of only three sectors that recorded an upswing in shipments in 1991, along with food and refined oil and coal products.

Despite a relatively good showing by the food and beverages industry in terms of output, according to a Statistics Canada survey, over 6000 jobs were lost in 1991, an 11.2 % drop (data for the first eight months of the year). Elsewhere in Canada, the industry saw employment drop by 7.5 %.

In 1990, Québec firms enjoyed brisk sales on foreign markets; food exports slowed in 1991, due to poor showings by meat (which accounts for over 40 % of exports), dairy products, eggs and honey. The beverages industry enjoyed only slight growth in exports in 1991. Statistics Canada forecasts concerning capital spending in the food and beverages industry called for a 12.5 % reduction in Québec, and 11.3 % in Canada as a whole. This downturn does not alter Québec's relative share of capital expenditure in Canada, which remained at 25.5 %. In 1990, capital expenditures totalled $358.5 million, a record for the Québec industry.

Among noteworthy investment projects under way or announced is the construction by Multi-Marques of a $27-million, ultramodern bakery in Laval. Nabisco- Christie has just completed a $50-million modernization and expansion project at its plant in the east end of Montréal. Borden is investing $20 million in the Catelli plant in Montréal. In Québec City, Les Produits Alimentaires Cortina recently inaugurated a $5.7-million fresh pasta plant that uses the most up-to-date processes.

In the brewery industry, Molson-O'Keefe closed the O'Keefe brewery in Montréal in March 1991 and pursued an $80-million investment program to boost output at its Montréal brewery by 40 %. The same company opened a $26-million bottle sorting plant in Boucherville. Labatt Breweries has allocated $90 million to expanding output at its LaSalle facilities. These investments have occurred at a time when the provincial governments are planning to gradually lift interprovincial barriers on the beer trade. At present, beer brewed in one province cannot be sold in another, a situation that has led to a proliferation of small breweries and created an uncompetitive cost structure. In the medium run, freer trade in beer could engender further streamlining in the Canadian industry. However, in Québec, the abolition of interprovincial barriers should not significantly alter the industry's structure as the streamlining under way and recent investment have made the industry more competitive. Other factors have cast a shadow over the industry: brewers are facing a stagnant market, imported beers are making inroads, and micro-breweries are beginning to eat away at the market share of the big breweries. International pressure to allow freer trade on the beer market in Canada is intensifying.

In the distillery sector, the 50 % increase in the capacity of the Seagram plant in LaSalle is noteworthy. This remarkable expansion in a dwindling market follows the closing of the firm's distillery in Waterloo, Ontario.

TOBACCO

The tobacco industry continued to wane. In Québec, employment fell by 2.5 % in 1991 (data for the first eight months of the year), part of an ongoing trend. Canadian shipments were up 9.3 % in current dollars, but declined by 1.5 % in constant dollars (based on a comparison of the first nine months of 1991 and 1990). Since 1981, shipments expressed in constant dollars have plunged by nearly 24 %. The capacity utilization rate has now been below the 70 % mark for eight consecutive quarters. In the second quarter of 1991, it reached 66.3 %, lower than the preceding quarter's figure.

Conditions on the Canadian and Québec markets are well known. Between 1981 and 1990, cigarette sales in Canada decreased by over 30 %. In the first 10 months of 1991, such sales fell by 13.6 % in relation to the same period in 1990, although output was down only 1.8 %. External markets remained buoyant. Indeed, they are expanding in Asia and Eastern Europe. While tobacco companies are taking advantage of external markets to boost cigarette sales, the same is not true of other tobacco products, demand for which is receding everywhere.

Only one significant investment project was carried out in 1991. Rothmans Benson & Hedges built a warehouse near its Québec City plant, at a cost of $3.3 million. Profitability in the sector is still excellent, due to more efficient pricing policies, stringent control over the cost of raw materials, and aggressive advertising campaigns.

The industry's prospects are gloomy. Various social factors and tax measures are working against it. Producers will continue to focus on promotion and external markets. The proposed prohibition of tobacco product advertising will be the object of widespread debate in 1992.

RUBBER PRODUCTS

The health of the rubber products industry is closely tied to economic conditions in the automobile industry, oil prices, and purchases by other industries of industrial rubber products. Despite a return to fairly normal oil prices following the explosion in prices in the fall of 1990, the recession prevailing in North America explains why the industry's principal economic indicators declined in 1991.

Canadian shipments of rubber products dropped by 5.7% during the first nine months of 1991 in relation to the same period in 1990 (Québec data are not available), the second consecutive year that the figure fell (it was 5.9% in 1990). Disastrous performance in 1990 led to a number of layoffs, with the result that few additional workers were laid off in 1991. Goodyear closed its plant in Saint-Hyacinthe, specializing in the production of polyester and nylon fibres used in tire production.

In the second quarter of 1991, the capacity utilization rate in Canada reached 66.9%, compared with over 80% a year earlier. Plant closings in the tire sector accounted for this sharp drop.

The tire industry had to face the combined effect of the recession and a major restructuring of the sector worldwide. New car sales plummeted in Ontario and Québec in 1989 and 1990, although they did stabilize in 1991. However, analysts do not foresee a brisk short-term revival. Imported vehicles are much more popular than domestic models on the North American market. Although a downturn in automobile sales and, consequently, of installed tires, usually leads to increased replacement tire sales, the recent recession is an exception. Both markets shrunk simultaneously.

In recent years, the tire industry has undergone profound restructuring the world over. A series of acquisitions has, for all intents and purposes, eliminated small manufacturers, leaving the field to industrial giants such as Bridgestone, Goodyear, Michelin, Continental, Sumitomo and Pirelli, which control 80% of the world market. Of the 10 leading manufacturers operating at the beginning of the 1980s, only five remain today. The survivors have accumulated heavy debts in order to engage in takeovers, without concomitantly increasing productivity. In the face of slumping demand, tire manufacturers have waged costly price wars. The resulting drop in profit margins, combined with higher interest rates, have exacerbated their financial problems. Michelin is a good example. The economic morass has compelled the industry to drastically streamline its operations. In addition to temporary or permanent plant closings, it is turning to more specialized output at plants around the world, geared to specific products or markets.

In Québec, Goodyear is modernizing its Valleyfield plant at a cost of $13 million. With respect to rubber products other than tires, Caoutchoucs Acton is investing $3.5 million to modernize its plant in Acton Vale.

Short-term prospects are fairly somber. The upturn that began during the summer will give the industry a boost, although it will be curtailed by reduced consumer spending. Only gradually will the industry return to previous levels of activity and partially recoup lost jobs. Even now, slightly firmer demand has encouraged two major tire manufacturers to step up production. In September, Goodyear announced that it was recalling 100 employees and that it may well recall another 100 employees in early 1992. In Joliette, Bridgestone-Firestone is also boosting production and, as a result, terminating its job-sharing program. A question related to environmental regulation will continue to arouse debate, i.e. the imposition of a deposit on tires or vehicles to encourage the recycling of tires and find a solution to the thorny problem of their abandonment in landfills and elsewhere.

PLASTICS PRODUCTS

The slowdown in the Québec plastics industry continued in 1991, when shipments dropped by 8.1% in the first nine months of the year, compared with the same period of 1990. Indeed, shipments began to ebb as early as 1988; they fell by 6.6% in 1990. The situation in Québec reflects that prevailing in Canada.

Canadian data reveal that the foam and extruded products and pipe sub-sectors were harder hit by the recession than the other sectors. The current situation is directly attributable to the overall economic climate, and the downturn in the construction and automobile industries, both of which make extensive use of plastics products.

The Canadian capacity utilization rate accurately reflects the downturn in production. The indicator continued to slide steadily from 1988 to the first quarter of 1991, when the rate reached 60.0%, then rose to 63.5% in the second quarter.

Aside from the completion of the $40-million Vifan Canada polypropylene film plant in Lanoraie, there were few major investment projects during the year. Among more modest projects, mention should be made of a $10-million investment by Desmarais et Frères in Longueuil, spread over two years, Produits de Plastique Polinex ($3.4 million), Plastiques Rawdon BC ($1.2 million), Bericap Canada ($1 million), Plastiques Daniel Leblanc ($1.2 million to modernize its Saint-Romuald plant), and Papier Rouville, which has budgeted $2 million to build its Poly-Plus plant in Farnham, *specializing in the production of low- and medium-density* polyethylene film.

A number of important events have altered the structure of the Québec industry. Plastique Moderne, a big firm, declared bankruptcy in the wake of major problems, partly attributable to rapid expansion and takeovers. However, the impact of the bankruptcy was attenuated by the purchase of two of the company's subsidiaries, Frig-O-Seal, taken over by Plastiques Daniel Leblanc, and Produits de plastique Copak, now owned by Plastique Cambri International. Two other significant takeovers are noteworthy. Plastibec, a firm with 75 employees manufacturing extruded plastic, was bought out by Royal Group, an important Ontario company, whose presence in Québec continues to expand. Plastiques Bovac, a pipe manufacturer with 85 employees which was also experiencing serious financial difficulties, was bought out by Duchesne et Fils, a leading construction products manufacturer.

In light of the economic situation, continued drops in the prices of raw materials in 1991 helped reduce manufacturing costs. Resin prices peaked in 1988 and have fallen since, despite a brief upturn in the fall of 1990, sparked by the explosion in oil prices that followed Iraq's invasion of Kuwait. Canadian prices in the summer of 1991 were below 1986 levels.

Environmental concerns will affect the plastics products industry's development in the coming years. Indeed, 1991 saw a number of industry initiatives to recycle plastic obtained through curbside collection, and to comply with the objectives of the national packaging protocol adopted in March 1990 by the Canadian Council of Ministers of the Environment. The protocol seeks to reduce by 50%, by the year 2000, the amount of waste sent to landfill sites, by means of a voluntary reduction of 10% every two years. The plan, which covers all packaging materials, advocates reduction at the source, reuse and recycling.

LEATHER

Shipments of leather goods plunged 16.5% by value in 1991 (comparison of the first nine months of the year). In 1990, shipments totalled $519.5 million, down 4.3% from the preceding year. Québec nonetheless continued to account for roughly 40% of all Canadian shipments. Inventories accumulated and the capacity utilization rate dropped to 60.6% in the second quarter of 1991, the lowest it has been in at least 20 years. During the 1980s, the rate averaged 87.5%.

The Québec leather industry had to cope with two new retail sales taxes, the GST and the PST, which raised prices on boots, shoes and leather garments by 15.56%. All of the foregoing items used to be exempt from the federal and provincial sales taxes. In addition to curbing demand, the price increases encouraged consumers to opt for lower quality products, often imported from countries with low labour costs.

The lifting of import quotas on men's shoes in 1985 and on women's shoes in 1988 led to a significant increase in imports of leather goods. Since 1990, imports have slowed somewhat, due to shrinking domestic demand and the imposition of anti-dumping and countervailing tariffs on women's shoes imported from major suppliers that have low labour costs, e.g. Brazil, Taiwan, China, Yugoslavia, Poland and Rumania.

According to Statistics Canada forecasts, capital spending was expected to total $8.2 million in 1991, down from $8.8 million in 1990. Steady investment in 1990 and 1991 sent the Québec/Canada ratio skyrocketing from 34.5% in 1989 to 68.3% in 1991. A number of investment projects bear mentioning. Chaussures STC is investing $1.1 million in its east-end plant in Montréal. After it acquired part of the assets of Chaussures Faber when the latter firm went bankrupt, Chaussures Régence expanded the plant of its Katerina division in Loretteville. In Kamouraska, Botterie Kamouraska has set up a plant to manufacture winter boots.

PRIMARY TEXTILES AND TEXTILE PRODUCTS

The value of textile industry products has been declining in Québec since 1989. In 1991, it shrunk by 12.6%; by the end of the third quarter in 1991, the figure was 3.9%. In 1990, the slump in shipments was attributable by and large to the sharp downturn in the primary textiles sub-sector (19.7%), while the textile products sub-sector was not as hard hit. The situation was reversed in 1991, when the value of primary textiles shipments fell by only 0.2%, and those of textiles, 7.1%.

Reduced shipments were accompanied by decline in the capacity utilization rate, while the inventory-to-shipments ratio remained high, as was the case in 1990.

Lagging international and local demand plagued the textile industry. In Québec, the recession struck a hard blow at the clothing, furniture and construction sectors, which provide important outlets for textiles. Moreover, the introduction of the GST and the decision to reapply the Québec sales tax to clothing indirectly curtailed activity in the textile industry.

Industrial textile prices plummeted in 1991, while the cost of inputs remained high. These factors, combined with weak demand, seriously undermined the profitability of textile companies.

The carpet sub-sector witnessed a number of major plant closings in 1991. The Ozite Canada plant in Saint-Jean-sur-Richelieu and Tapis Peeters in Granby ceased operations. With the loss of two important clients, Dominion Textile announced the impending shutdown of its Hawkesbury, Ontario carpet canvas plant, located near the

Québec border. For the past three years, the industry has had to cope with foreign competition, especially from the United States. Between 1988 and 1990, American producers' share of the Canadian market has climbed from 8 % to 30 %. The leap in American imports is due by and large to the strength of the Canadian dollar. Moreover, under the Canada-U.S. Free Trade Agreement, tariffs on American carpets are falling by 2 % each year, until 1998, when they will disappear entirely. The tariff is now 14 %.

The renewal without change of the Multifibre Agreement (MFA) until the end of 1992 should encourage some degree of stability in the Canadian garment fabric industry for at least one more year. Under the MFA, the countries signing the agreement may negotiate quantitative restrictions on imports of textiles and clothing from countries with low wages.

According to Statistics Canada forecasts, capital expenditures were expected to fall by 26.8 % in 1991; such spending totalled a record $121.5 million in 1990. The garment fabric and knitwear sub-sectors should experience the sharpest downturns in 1991. In Canada as a whole, capital spending is expected to decrease by only 3.7 %. The Québec textile industry accounts for no more than 26.7 % of the capital expenditures expected in Canada as a whole, and continues to drift from its preeminent position in the early 1980s, when it was responsible for over half of Canadian capital spending. A number of investment projects were announced in 1991. J.L. De Ball is investing $11 million to expand and modernize its Granby plant, specializing in the manufacture of upholstery fabric, clothing and draperies. Tricot Richelieu in Pintendre is modernizing its facilities at a cost of $2.6 million. A new business is to be established in Drummondville, where the owners of Teinturerie Élite have built a $2-million plant slated to open in February 1992, designed to print patterns on knitwear.

Despite the precarious situation the textile industry is now in, future prospects are nonetheless encouraging. The industry has made considerable strides over the past years in terms of upgrading technology, which has helped reduced the number of unqualified workers and shifted emphasis to specialized positions. Moreover, increased investment in the technical, non-woven textile sector indicates that new production processes will become more widespread, especially materials intended for use in civil engineering, construction, telecommunications and environmental controls.

CLOTHING

During the 1980s, the value of shipments in the Québec clothing industry grew at a fairly steady pace. In 1990, however, shipments declined by 5.6 % (or just under $4 billion) in relation to 1989. The slump continued in 1991, when shipments fell by 11.0 % (data for the first nine months of the year). In Canada as a whole, shipments evolved at the same pace; Québec's share of overall Canadian shipments remained at about 60 %. The drop in shipments was accompanied by a sharp decrease in the capacity utilization rate.

More than other industries, the clothing industry was hard hit by the recession and the sales tax reform. The introduction of the GST and the decision to reapply the Québec sales tax increased the selling price of clothing, formerly exempted from the taxes, by 15.56 %. Because manufacturers and distributors alone could not absorb the increase, consumers, already grappling with the recession, reacted by curtailing purchases, and renewing their wardrobes less frequently. Only clothing for children under three enjoyed higher demand. Manufacturers are seeking to reconquer the market lost over the past two years, although they fear that major Canadian retailers will buy directly from the United States, which offers lower prices. This threat was recently brandished by the Hudson Bay Company, a giant Canadian retail chain.

Numerous plant closings occurred in the clothing industry. There were 131 bankruptcies in 1990 and 1991, the highest total in any Québec manufacturing industry. The restructuring initiated several years ago has led to a significant downturn in employment. Streamlining has also occurred in distribution networks. Many sales agencies and retail stores have closed, especially in the up-market sector, as a result of which Québec manufacturers and designers have lost a considerable portion of their sales network.

In its forecasts on capital expenditures, Statistics Canada announced an upturn of 18.9 % in relation to 1990; it expected such spending in the Québec clothing industry to total $24.5 million. Québec's share of total Canadian capital spending in the sector has remained at just over 50 %, slightly above the average of the past 10 years.

There were few investments in 1991: Manufacture de Bas Iris in Montréal completed a $2.8-million expansion project; Sirbain, also located in Montréal, a manufacturer of imitation fur coats, has just inaugurated its new $3.3-million head office; in the east end of Montréal, Les Industries de lavage Dentex, specializing in processing denim, invested $3 million to purchase ultramodern equipment.

The Québec fur sector has been in serious trouble for several years. Exports, a major outlet, have nosedived. In 1988, they totalled $168 million; by 1990, $60 million. Figures for the first half of 1991 indicate a further decline of 26.4 %. The drop in exports is attributable above all to the strength of the Canadian dollar and anti-fur campaigns in Europe. Unless trappers change their trapping methods, which are deemed to be too cruel, the EEC is threatening to impose an embargo on Canadian furs starting in 1995.

Canada's balance of trade in clothing continued to show a staggering deficit. The bilateral quotas negotiated under the Multifibre Agreement (MFA) undoubtedly favoured some degree of stability in domestic production, although long-term prospects are uncertain. The MFA, which was due to expire in July 1991, was prolonged without change, contrary to the demand of the exporting countries, until December 31, 1992. In the meantime, negotiators at the Uruguay Round have been examining the integration of the MFA into the normal management function of GATT. Should the discussions produce concrete results, competition from countries with low wages would become keener still. However, these changes would occur over a 10-year transitional period.

Present and anticipated changes in competition have encouraged a number of firms to reassess their strategic choices. Such companies are slowly relinquishing production of down-market products in order to focus on more distinctive lines.

The poor performance of the clothing industry highlights a number of organizational shortcomings: the industry is under-capitalized and highly fragmented. Modern marketing techniques have scarcely been developed; some firms in the sector display no interest in new technologies and research. However, more and more companies are successfully adapting to the new economic environment, which bodes well for the future.

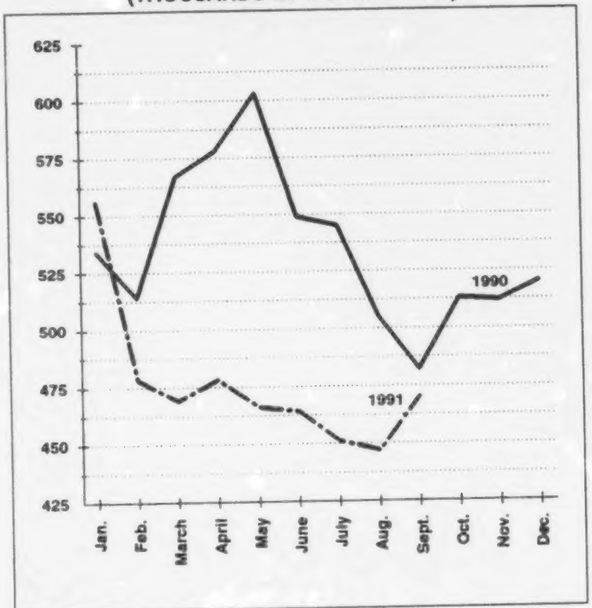
PAPER

In 1991, the paper industry experienced difficult times. Two questions were uppermost in observers' minds in the fall: plant closings by Donohue in Matane, and Cascades in Port-Cartier. In both instances, the facilities were ultramodern, with high production capacity. The shutdowns clearly reveal the speed with which structural changes are shaking up paper mills. In April, a specialized magazine announced that one-third of Eastern Canadian plants were for sale.

The 1990-1991 recession was partly responsible for this situation. Since the economic downturn began, pulp prices (in U.S. dollars) have fallen by 30 % to 40 %, and newsprint prices, by roughly 20 %. In addition, the value of the U.S. dollar has depreciated by 5 % in relation to the Canadian dollar; it is easy to see why the profitability of many plants has been jolted.

It should be remembered that the paper industry is not made up of small firms whose limited access to financial markets would quickly be exhausted in a recession. If the current recession has led to such a thorough calling into question of the industry, the reasons can only be structural. They are apparent at all levels, i.e. supplies, plant operations, and sales outlets. To analyse these problems and propose solutions will be one of the key tasks of a special committee, whose creation was announced on October 17, 1991, made up of representatives of various government departments, union delegates and employers' representatives (see the analysis of the wood industries group on page 45).

CANADIAN NEWSPRINT EXPORTS
TO THE UNITED STATES
1990 - 1991
(THOUSANDS OF METRIC TONS)



Source: Canadian Pulp and Paper Association.

The scope of the decisions to be reached and the diversity of possible solutions explain the uncertainty hovering over the main Québec forest products companies. According to a study conducted by Price Waterhouse, 80 % of the principal Canadian firms lost money in 1990, and 80 % of the leading companies worldwide that lost money were Canadian. Losses were expected to total $2 billion in Canada in 1991.

Shipments fell by 3.0 % in one year in Québec, and 14 % in two years (data for the first nine months of the year, in constant dollars). Changes in Canadian exports of newsprint to the United States clearly indicate the problems the industry is facing on one of its most important markets. Mention should be made of the strikes that occurred in 1990, which explain the plunge in shipments in May of that year, the result of American clients accumulating safety inventories. The trough in September reflects the exhaustion of such inventories.

According to Statistics Canada data, the Canadian capacity utilization rate fell to 80.2 % in the second quarter of 1991, part of a steady slide from 94.9 % in 1988, to 90.3 % in 1989, and 85.1 % in 1990 (all figures for the second quarter of each year). The rate is still fairly high, bearing in mind the recession. In the fourth quarter of 1982, it fell to 69.4 %, and in the fourth quarter of 1975, to 60.1 %.

The Statistics Canada survey published at the beginning of the year predicted that capital expenditures by Québec paper companies would decline in 1991 by 9.6 %, in current dollars, in the wake of a 21.0% decrease in 1990. The deteriorating economic climate in the industry during the year suggests that investment could fall even lower. De-inking projects are the most numerous. Mention should be made of Canadian Pacific Forest Products in Gatineau ($100 million), Daishowa in Québec City ($56 million), Kruger in Bromptonville ($55 million), Cascades-Donohue-Maclaren in Cap-de-la-Madeleine ($46 million), and Stone-Consolidated in Shawinigan ($36 million). Among major projects, the following are noteworthy: modernization by Malette and Rexfor of the Papier Saint-Raymond plant at a cost of $125 million; expansion by Tembec of Temcell-2 in Témiscaming ($128 million); and the construction by Canadian Pacific Forest Products of a $210-million thermomechanical pulp mill in Gatineau. In a highly specialized market niche, Kunz completed construction of its Uniboard laminated paper plant in Drummondville. The facility is the only one of its kind in the world, and was built at a cost of $100 million.

PRINTING AND PUBLISHING

The recession hit the industry hard in 1990 and continued to do so in 1991. After nine months, deliveries had dropped by 1.7% in relation to the same period in 1990, when they fell by nearly 6%.

Employment was also affected by the recession. It peaked at 35000 jobs in 1989, then declined by over 20% in two years, equivalent to the loss of roughly 8000 jobs. Structural factors, such as massive investment in recent years in high-technology equipment, have boosted productivity but reduced manpower needs.

As a result, the capacity utilization rate reached 63.1% in the second quarter of 1991, its lowest level in the past 10 years. However, the industry has weathered the recession better than the manufacturing sector overall.

The printing and publishing industry is facing the same economic conditions as the communications sector, where activity is closely tied to the general economic climate and, in particular, the financial health of client companies. Such activity tends to slow down during a recession, when companies curtail advertising. Reduced sales mean reduced profits. The operating income of Canadian printers and publishers plummeted by 50.5% in the first half of 1991 in relation to the same period in 1990, when operating income for the entire year decreased by 12%. The local industry can hardly count on external markets to revive sales. Since 1987, Québec exports of printed materials have come up against serious problems. This trend continued in 1991: after the first eight months of the year, Québec's international exports declined by 4.4% in relation to the same period in 1990. If the trend persists in the second half of the year, exports will have ebbed by 20% in value since 1987.

Import figures mirror exports; they grew markedly in 1989 and 1990. The continued appreciation of the Canadian dollar in relation to the U.S. dollar undoubtedly accounts by and large for this change. In 1991, imports declined due to soft domestic demand.

Capital spending increased by 8.7% in 1991, after varying slightly during the previous two years. A considerable increase in machinery and equipment purchases accounts for the upswing. In an industry where technical advances are so crucial and the implementation of new technologies so vital in terms of competitiveness, these are encouraging signs.

Four major projects deserve mention. In 1991, Métropole Litho completed a $15-million investment in Saint-Bruno-de-Montarville. Quebecor is carrying out two expansion projects, one at its LaSalle plant ($8 million), and the other at its Saint-Romuald printing plant ($3.5 million). The firm also inaugurated the Quebecor Photolitho facility, which required a $3-million investment to purchase equipment designed to perform various pre-printing tasks. Interglobe, a subsidiary of Groupe Transcontinental, has allocated $3 million to acquiring equipment for its Beauceville printing plant. The recent announcement by the Southam group of its intention to sell off Southam Graphics Group, a subsidiary that operates 20 printing plants in Canada and the United States, could spark a major restructuring in the industry. Southam has decided to withdraw from this sector because of low profitability. It has cited stiffer competition in North America, Southam Graphics' relatively small size in relation to the industry giants, and the fact that the head office's expertise lies in publishing rather than printing.

REFINED PETROLEUM AND COAL PRODUCTS

The upsurge in oil prices during the Persian Gulf crisis had a marked effect on the value of the Québec industry's shipments in 1990-1991. Shipments grew by 27.4% in 1990, and by 12.7% in 1991 (data for the first nine months of the year). Moreover, the Canadian petroleum products sector recorded the highest capacity utilization rates of any industry (87.5% in the second quarter of 1991). Output at the three Québec refineries fell in 1991, by 5.2% in the first half of the year, due to an 11% downturn in demand, which affected virtually all refined products. This slump in consumption is not surprising in a recession, given that the transportation and industrial sectors account for 75% of demand for Québec petroleum products. Activity in both sectors is highly sensitive to fluctuating economic conditions. It should be noted that Hydro-Québec plans to put its Tracy thermal generating plant into service in January 1992 because of low water levels in it reservoirs. This will lead to major purchases of fuel oil.

Weak domestic demand led to a significant reduction in the value of imports in 1991. Exports increased, partially offsetting slumping demand on local markets.

The first quarter of 1991 witnessed widespread uncertainty about the impact of the Persian Gulf crisis on oil prices and supplies. The high prices recorded in late 1990 and early 1991 reflected fears in the industry of possible oil shortages, which in turn led to higher bidding on the world market. In the wake of the rapid resolution of the conflict, prices dropped to the levels prevailing before the invasion of Kuwait. Medium-term prospects seem to be for fairly stable prices. At present, there is no shortage of crude oil that could destabilize the industry. To the contrary, sluggish growth in international demand for oil products and the gradual resumption of production in Kuwait and Iraq will bolster supplies. However, in the long run, this security could be jeopardized, at least in Québec, by the permanent closing of the Sarnia-Montréal oil pipeline, a project the Québec government opposes.

Volatile prices for petroleum products during the Persian Gulf crisis swelled the Canadian industry's profits, although the recession was in full swing. In the second half of 1990, the seasonally adjusted operating profit of Canadian oil companies rose spectacularly by 178 % in relation to the first half of the year. However, the end of the Gulf war coincided with a precipitous drop in profits in the first quarter of 1991. Data for the second quarter of 1991 are gloomier still: Canadian oil companies recorded losses of some $200 million.

According to Statistics Canada forecasts, capital expenditures in Québec in the sector were expected to reach $114.3 million, only half of the 1990 figure. No major project was announced and none is under way. Because Québec's output is sold by and large on the domestic market and demand is stable, the industry is not expected to invest in expanding output capacity.

The industry has tended to concentrate investment in improving manufacturing processes and the quality of petroleum products. Spending is also geared to comply with environmental protection measures aimed at reducing emissions at the refinery and marketing less polluting products. In 1991, Ultramar completed a $25-million investment project centred on environmental protection and safety, the automation of production, the modernization of loading facilities, and increased storage capacity. It should also be noted that oil companies have, for several years, been investing extensively to replace storage tanks at retail sales outlets.

CHEMICAL PRODUCTS

Results for the first three quarters of 1991 revealed that the chemical products industry had gone into a slowdown. During this period, shipments decreased by 3.9 %, compared with average annual increases of 6.6 % between 1981 and 1989. The inventory-to-shipments ratio rose, reaching 70.3 %, on average, in 1991 (data for the first nine months of the year), compared with 68.5 % for 1990 as a whole. Slumping demand led to streamlining in the workforce: in 1991, the number of wage earners fell by 15.7 % in Québec, compared with 9.8 % in Canada overall (data for the first eight months of the year).

Gloomy market conditions nudged down the capacity utilization rate, which dropped from 89.0 % in 1990 to only 83.6 % in 1991 (data for the second quarter of the year). Capital expenditures totalled $372.4 million in 1991, a spectacular 31.4 % drop in relation to 1990. As a result, Québec accounted for only 16.1 % of total capital spending in the Canadian industry, compared with an annual average of 32 % over the five preceding years.

New regulations under the industrial waste reduction program of the ministère de l'Environnement du Québec are compelling firms to rethink their strategies. To survive, they will have to focus research on the changing needs of their customers, while standardizing operations in the inorganic chemical industry. In the short term, the adoption of these new environmental standards will significantly affect the industry, in particular demand for the chemical products the pulp and paper industry uses as bleaching agents. New constraints imposed by the regulations will curb demand for chlorine but boost demand for sodium chlorate and hydrogen peroxide. This situation is likely to work to the advantage of PPG in Beauharnois. Against a backdrop of heightened competition, the company's recent modernization of its chlorine plant is indeed an encouraging note.

A number of inorganic chemistry sub-sectors have been affected to varying degrees by the changing economic conditions in the pulp and paper and the arms industries. The current glut on the pulp and paper market has pushed down the capacity utilization rate in the sodium chlorate sub-sector. Although few potential buyers are available, Tenneco has decided to sell its Albright & Wilson chlorate division in Buckingham, one of Québec's biggest chlorate producers. Promising development prospects in the hydrogen peroxide sub-sector have encouraged Kemira, a Finnish firm, to set up a $100-million plant in Québec.

Slumping military demand and a downturn in construction led to the closing of the IVI division of Produits de Défense SNC in Valcartier, and the nitrocellulose department of Produits Chimiques Expro in Valleyfield. The latter company will nonetheless continue to operate in Québec, as it has obtained the status of a local supplier to the American army. Most companies in the explosives sector are streamlining their operations, relying more heavily on new technologies, and modernizing their facilities. There is a tendency to specialize and focus on products with higher added value.

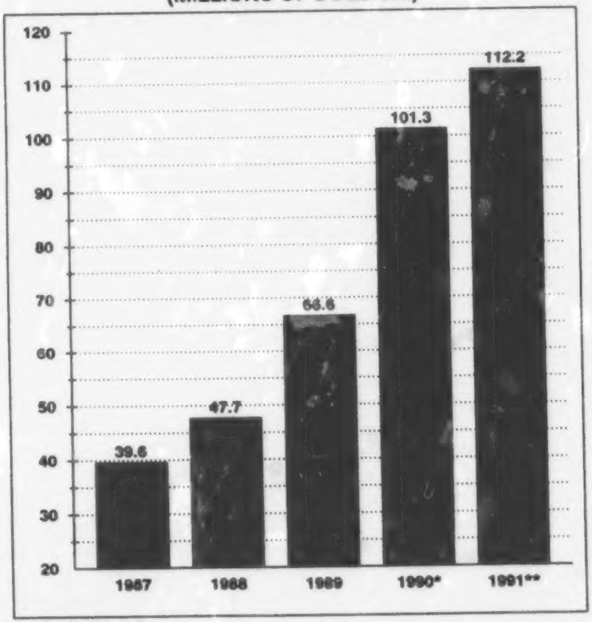
In this perspective, ICI has launched a $29-million investment project to modernize and expand its McMasterville plant, to satisfy growing demand for sodium azide, used in automobile airbags. SNC is modernizing its plant in Saint-Augustin-de-Desmaures at a cost of $5 million, and its facilities in Le Gardeur at a cost of $3.2 million, to enable them to manufacture the same products as the IVI plant in

Valcartier. ICI-CXA has decided to consolidate in Brownsburg North American detonator manufacturing operations.

Despite flagging titanium dioxide prices, Tioxide Canada is forging ahead with the proposed construction of a $150-million chlorinated titanium pigment plant. Located in Bécancour, the new facilities will use technology that complies with environmental standards; construction work will begin next summer and be completed in 1994.

The petrochemical and organic synthesis industry has also fallen on hard times. In 1991, flagging demand for petrochemical products and a glut on world markets sent prices and profits plunging. It is against this backdrop that Kemtec decided to shut down operations, the victim of economic conditions and under-capitalization. However, a noteworthy investment project might be carried out in Saint-Romuald, near Québec City, where Petresa, a Spanish firm, and the Société générale de financement are working to set up a plant to produce linear alkylbenzene, a product that replaces the phosphates used in detergents, at an estimated cost of $106 million. Companies in Québec are displaying a growing interest in new technologies. Pétromont has just invested over $200 million to install a new, high-yield reactor to manufacture high-density polyethylene. Himont recently adopted a leading-edge technology to manufacture polypropylene displaying high fusion elasticity.

CAPITAL EXPENDITURES
PHARMACEUTICAL PRODUCTS AND DRUGS
QUÉBEC
(MILLIONS OF DOLLARS)



* Preliminary data.
** Forecast.

While short-term prosperity in the petrochemical industry depends on an overall economic revival, the completion of the Soligaz project could result in long-term benefits as it would mean lower prices for raw materials. The project entails shipping liquid natural gas (LNG) by pipeline or boat to storage facilities in Varennes. At present, Montréal refineries supply part of the industry's inputs; the remainder are shipped by truck or tank car from Western Canada, or by boat from abroad. Industrialists and the Québec government feel that the Soligaz project will revitalize the Montréal petrochemical industry and restore its competitiveness with respect to downstream investments in the petrochemical industry.

The Québec pharmaceutical and drug industry, unlike other segments of the chemical industry, enjoys a rapidly expanding market that is fairly impervious to economic fluctuations. An aging population, government repayment programs, the social importance of health spending, and the proliferation of medical discoveries all explain brisk growth in demand for drugs.

For several years, this situation has encouraged accelerated growth in shipments of pharmaceutical products. Capital spending has also been growing at a sustained rate. Moreover, firms established in Québec continue to benefit from the commitment by the Canadian industry to invest $1.4 billion by 1996.

Among noteworthy investment projects in 1991, mention should be made of the $70-million expansion planned at Merck Frosst's biomedical research centre in Montréal. IAF BioChem in Laval, a Québec firm, has began the construction of a vaccine plant and a research centre, at a cost of $40 million. Québec universities are pursuing medical research initiatives in collaboration with the private sector. The CHUL hospital (Centre hospitalier de l'Université Laval) has allocated $100 million to expand its research facilities in cooperation with Shering-Plough, to develop anti-cancer drugs.

The chemical products industry is awaiting amendments to Bill C-22, federal legislation governing patents. The federal Department of Consumer and Corporate Affairs is now consulting the provinces on the matter. Under the legislation, which came into force in 1987, manufacturers of patented medicines may obtain exclusive control over new products for a period of seven to 10 years. The Québec government would like the period of exclusivity to be extended to 17 years, to offer a further inducement to R&D investments. However, in the long term, this proposal may curtail the expansion of Québec SMBs that manufacture generic drugs. For the time being, these firms are pursuing their strategy of copying drugs that enjoy brisk sales, or that are more specialized and less competitive. Through the strategy, a number of SMBs are able to sufficiently bolster their capital to conduct innovative research. Some of them are even contemplating establishing themselves on the American market.

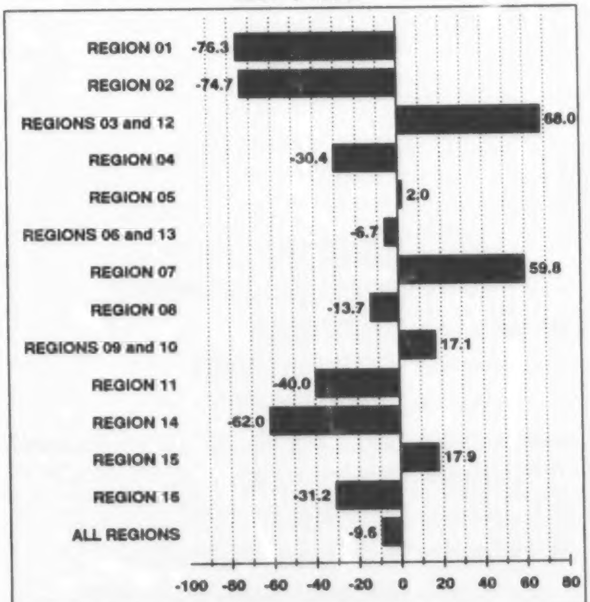
ANALYSIS BY REGION

ANALYSIS BY REGION

The following variables are examined with respect to the economic analysis of each region of Québec: the labour market, the situation in the construction industry, changes in capital expenditures, and investment projects already announced or under way. It is important to bear in mind the relative accuracy of regional data published by statistical organizations, which is tempered by size of survey samples.

Some statistics pertaining to the 16 administrative regions of Québec are not available. Consequently, the number of geographic divisions has been kept to 13.

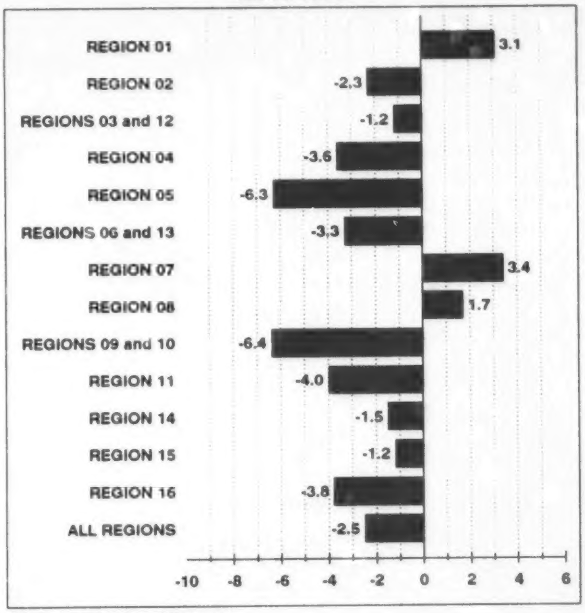
CAPITAL EXPENDITURES IN MANUFACTURING
BY REGION
PERCENTAGE CHANGE
1991* / 1990



Bas-Saint-Laurent	01	Côte-Nord	09
Saguenay - Lac-Saint-Jean	02	Nord-du-Québec	10
Québec	03	Gaspésie - Îles-de-la-Madeleine	11
Mauricie - Bois-Francs	04	Chaudière-Appalaches	12
Estrie	05	Laval	13
Montréal	06	Lanaudière	14
Outaouais	07	Laurentides	15
Abitibi-Témiscamingue	08	Montérégie	16

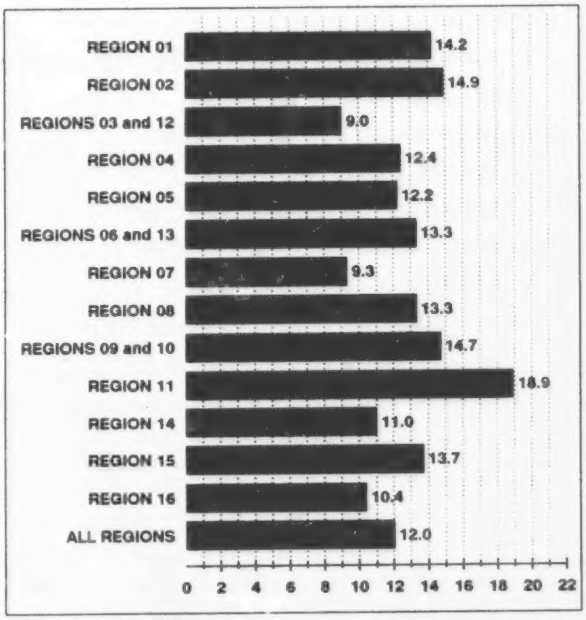
* Forecast.

EMPLOYMENT BY REGION
PERCENTAGE CHANGE
1991 / 1990*



* First ten months of the year.

UNEMPLOYMENT RATE
BY REGION
1991*



* First ten months of the year.

BAS-SAINT-LAURENT

The diversity of the region's economy has enabled it maintain employment despite the recession. The number of jobs grew by 3.1% in 1991, compared with a 2.5% drop in Québec as a whole (data for the first ten months of the year). However, *this performance overshadows the major problems facing the forest industry.*

Buoyant employment in the tertiary sector encouraged a number of people to reintegrate the workforce, thereby pushing up the labour force to record levels. However, employers were unable to provide jobs for all those entering the labour market, and the unemployment rate reached 14.2% (data for the first ten months of the year).

After rising steadily for three years, capital spending in the region declined by 13% in 1991, when it totalled $564 million, the same figure as in 1989. This reversal would have been even more pronounced had the tertiary sector, especially electricity and other public utilities, not taken up the slack in the secondary sector. Planned investments in the forest, wood and paper industries combined plummeted by 82%.

Pulp and paper, a key component of development in the region, has been hard hit by the recent recession. Layoffs in the sector have proliferated. In September, Donohue announced the closing for at least two years of its Matane paper mill and five satellite sawmills, with the loss of 400 jobs. Donohue has also halted production of machine No. 1 in Clermont for one year, a move which affects 100 jobs. Operations should resume when demand for bleached chemical-thermomechanical pulp picks up again.

Recent American legislation imposing a percentage of recycled fibres in newsprint is affecting the industry. Locally available recyclable paper is not sufficient to satisfy these needs. As a result, the region's paper mills are likely to turn in future to new products, such as fine paper.

As was the case in 1981-1982, the vitality of the transportation equipment industry has been a bulwark against the recession. In 1991, Bombardier signed its biggest ever contract with Amtrak, worth $400 million, to build 140 Superliner II double-decker passenger cars, slated for delivery between 1993 and 1996. The project will involve 2900 person-years over five years. This brings Bombardier's

Bas-Saint-Laurent	01	**Côte-Nord**	09
Saguenay - Lac-Saint-Jean	02	**Nord-du-Québec**	10
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Montréal	06	**Lanaudière**	14
Outaouais	07	**Laurentides**	15
Abitibi-Témiscamingue	08	**Montérégie**	16

book orders to $720 million. In particular, this includes prototypes of New York City Transit Authority subway cars, commuter train cars ordered by the Metro-North Commuter Railroad in Connecticut, other cars for the Massachusetts Bay Transportation Authority, and the construction of shuttle trains for use in the Channel tunnel. The company will invest $12 million to expand its facilities and ensure greater production flexibility.

The peat processing industry continues to thrive and consolidate. The region accounts for over 50 % of Québec shipments and is the leading producer in the province. Les Entreprises Premier CDN is unquestionably the front-ranking company. Its research centre, deemed to be the biggest in North America, invests heavily to develop new products, processes and markets. Research work conducted at the centre has led to a broader array of uses for peat, including environmental applications. A project centred on the biofiltering of the waste water of small municipalities was completed in 1991. Pre-commercial units used in conjunction with a residential waste water filtration project were installed.

According to the Commission de la construction du Québec, the effects of the recession on the construction industry were felt in the Bas-Saint-Laurent region as they were elsewhere in Québec. The second quarter of 1991 did see signs of a revival, due in part to public works projects, i.e. renovation of the Rivière-du-Loup courthouse ($9.5 million), and repair work on different sections of highway 132 from Bic to Mont-Joli ($47.6 million).

SAGUENAY — LAC-SAINT-JEAN

Employment in the Saguenay — Lac-Saint-Jean region only showed the first signs of wavering in the second quarter of 1991, despite the economic gloom that had prevailed in North America for over a year.

Total employment decreased by 2.3 % in 1991 (data for the first ten months of the year), a figure similar to that for Québec as a whole. The local unemployment rate climbed to 14.9 % at the end of the first three quarters of the 1991, compared with 12.7 % in 1990.

The foregoing change in the labour market reflects the problems facing the region's manufacturing sector, largely centred on export markets and thus affected by economic conditions worldwide.

A sharp reduction in investment projects are symptomatic of hard times. In 1991, capital spending fell below the $1 billion mark, a 22.0 % drop in relation to 1990, largely due to a marked downturn in spending in the manufacturing sector, where such spending plummeted by 74.7 %.

A worldwide glut of primary aluminum compelled Alcan to trim its workforce, dividend and capital expenditures in 1991. Oversupply and sagging prices for aluminum ingots forced the company to temporarily shut down a number of pot lines in order to cut its worldwide output by 8.5 %. Plant closings were slated at the Isle-Maligne plant in Alma on November 1 (50 layoffs), and at the Arvida plant in Jonquière on December 1 (75 jobs). In 1992, Alcan still intends to build a third aluminum smelter in Alma. The lot has been purchased and preparatory work has begun. The realization of this megaproject, worth an estimated $1 billion, could spearhead new economic development initiatives in the region.

Alcan International, a subsidiary responsible for technology and research and development, has won a highly coveted 1991 R&D 100 award, granted in recognition of a dross treatment process using a plasma-arc furnace. Developed at the Centre de recherche et de développement Arvida (CRDA) in Jonquière, this innovation is environmentally risk-free and is the first industrial application of plasma-arc heating in the aluminum industry.

Increasingly keen competition is compelling paper mills in the region to streamline their operations. Cascades halted operations at its kraft pulp mill and Abitibi-Price has announced the closing of its research centre, both located in Jonquière. Donohue is investing in Saint-Félicien in order to comply with environmental norms. It will build a chlorine dioxide plant at a cost of $25 million to reduce the dioxins and furans in pulp.

The marked downturn in the construction industry and the high exchange rate on the Canadian dollar have reduced demand in the wood industry. A number of sawmills have engaged in temporary layoffs or halted operations entirely, as was the case at the Norbord panel factory in Chambord, which has been closed for the past year. The sawmill is a major consumer of aspen and could reopen in the near future. Wood producers in the region would again find a worthwhile outlet for a wood species for which, in the past, there was little demand.

Construction in the Saguenay — Lac-Saint-Jean region nosedived more dramatically than anywhere else in Québec. In the first quarter of 1991, the number of hours worked in the region fell by 48 %. The reduction was more apparent in shorter work weeks than in massive layoffs: the number of active wage earners declined by 15 %.

Following two years of brisk growth, residential construction slowed considerably. Housing starts tumbled by 42 % in the second quarter of 1991. Industrial construction is even more important to the region; it, too, slumped. A number of major projects, including one in Laterrière, were completed. Failing the initiation of a major project in the coming quarters, a significant revival in the construction industry is unlikely.

QUÉBEC AND CHAUDIÈRE-APPALACHES

The Québec and Chaudière-Appalaches regions by and large escaped the adverse effects of the 1991 recession. Assured of greater stability because of the scope of their tertiary sector, they also benefit from a diversified economy and the development of activities centred on high technology.

In 1991, the labour market remained stable: in the first ten months of the year, the number of jobs was essentially unchanged from the end of 1990 and had dropped by scarcely 1.2%. Such stability against the backdrop of the recession is remarkable. The unemployment rate reached 9.0% (data for the first ten months of the year), three points below the Québec figure. For the third consecutive year, the regional economy recorded the lowest unemployment rate in Québec.

A number of major projects helped to keep the economy on an even keel during the first half of 1991. The number of hours worked dipped by 6%, one-third of the drop noted in Québec as a whole. The realization of major investment projects in the manufacturing sector will continue to sustain regional industry and bolster construction in the second half of 1991.

Capital expenditures confirm the vitality of the Québec and Chaudière-Appalaches regions. Under the impetus of investment projects in the manufacturing sector, such spending continued to grow at an accelerating pace for the third consecutive year, rising by 20.3% in 1989, 56.6% in 1990, and 68.0% in 1991.

Lauralco, an Alumax subsidiary, moved ahead on the construction of its Deschambault smelter, at an estimated cost of $1 billion. The worksite will engender $750 million in economic spinoff and provide employment for 2000 workers. The first casting is slated for the spring of 1992.

A number of plants that rely on leading-edge technologies were opened in the non-metallic mineral products sector. In Thetford Mines, Granirex put into production manufacturing facilities designed to produce tiles and slabs made out of crushed marble and granite. The $18-million plant uses a technology imported from Italy, vacuum pressing under vibration, which produces hardness equal or superior to natural stone at roughly half the normal cost. In Saint-Augustin-de-Desmaures, Granicor is investing $1.5 million to acquire ultramodern equipment with a view to increasing output and enhancing the quality of its products. In Grondines, Ciment-Québec is examining the possibility of opening concrete and limestone plants.

In the electrical and electronic products industry, Inglis is completing the modernization of its Montmagny facilities. The purchase of $15 million worth of equipment will enable the firm to manufacture a new line of electric ranges. Asea Brown Boveri has launched production of internal-fuse capacitors and overhead transformers. Erected in the Parc technologique métropolitain de Québec at a cost of $13 million, the new plant relies on Swedish capacitor design and manufacturing technology.

Other sectors are noteworthy because of major investment projects. Petresa, a Spanish oil company, in collaboration with the Société générale de financement, is still studying the possibility of investing $106 million in a petrochemical plant specializing in the production of alkylbenzene, a petroleum derivative used in the manufacture of biodegradable detergents. This phosphate substitute, which is less harmful to the environment, was developed by Petresa and will be produced for the first time on a major industrial scale. The future plant, located in Saint-Romuald, will operate under the Labco-Chem corporate name and provide employment for 70 workers. Elsewhere, the Ultramar refinery is completing a $25-million investment to enhance environmental protection and water treatment, automate certain phases of production, and increase storage capacity. Ten months after its new $18-million hydrogen plant went into production, Prodair announced a further $2 million investment to build a terminal for its truck fleet. Kemira, a Finnish firm, is considering several sites for a proposed $100-million hydrogen peroxide plant, including Saint-Augustin-de-Desmaures.

With a view to maintaining its position on the North American market, Prévost Car in Sainte-Claire is investing $57 million in R&D, worker training, and the modernization of equipment.

The difficult economic conditions prevailing in the pulp and paper sector have hardly been conducive to new investment projects. Only capital spending projects now under way are noteworthy. Daishowa has completed construction of its de-inking facility at a cost of $56 million. The plant uses a technique developed in Japan and is slated to start operating in early 1992. The Saint-Raymond paper mill was expected to have completed its $125-million modernization plan by the end of 1991. For the time being, the mill is concentrating on manufacturing fine paper; starting in 1992, it will be the only plant in North America to specialize in the manufacture of high-grade art paper.

The announcement of the closing of the Domtar construction materials plant in Donnacona, with the loss of 150 jobs, and the elimination of 85 jobs at its newsprint plant were bad news for small sawmills in Québec, as Domtar purchased $8 million worth of wood chips from them every year. The paper mill's future is uncertain, and is contingent upon higher productivity and competitiveness, which cannot be achieved without enormous investment.

Elsewhere in the manufacturing sector, mention should be made of various fashion-related projects. Tricot Richelieu, a division of Industries Canatex, is investing $2.6 million to modernize its Pintendre plant. The project will create 22 new jobs. Texel, which specializes in geotextiles and industrial felt, is putting the finishing touches on a $4.1-million expansion and modernization program begun two years ago at its Beauce plant. Maranda Reliable Splendor is ceasing operations after 80 years in Québec. The slumping market for wild furs, a change in consumer attitudes and the upsurge in imported products are the main causes of the shutdown.

Imprimerie Interglobe in Beauceville is investing $3 million to purchase a new press in order to enhance the quality of its products and boost output.

In the food sector, Les Produits Alimentaires Cortina has inaugurated a new $5.7-million plant that will produce fresh pasta, using a technology developed in Italy, and deemed the most modern facility of its kind in Canada. The company will be in a position to serve the Montréal market and export to the United States.

The establishment of a $100-million cancer research program has confirmed the region's biomedical role. Launched by the CHUL (Centre hospitalier de l'Université Laval), the program represents a first in Canada in that it includes an undertaking by Schering-Plough, an American firm, to manufacture in Québec the drugs developed through the research program, which could then lead to a significant external market.

MAURICIE — BOIS-FRANCS

Despite the diversification of its industrial base, the Mauricie — Bois-Francs region has not escaped the general economic slowdown. Following two years of stagnating employment, the regional economy experienced hard times in 1991, when the average number of jobs fell by 3.6 % by the end of the first ten months of the year. Numerous layoffs, especially at SKW in Bécancour and at Consoltex in Drummondville, swelled the ranks of the jobless, nudging up the unemployment rate from 10.7 % at the end of 1990 to 12.4 % in 1991 (data for the first ten months of the year).

Work on several major projects was completed simultaneously in 1991 in the Mauricie — Bois-Francs region, in particular at ABI, Kruger and Stone-Consolidated worksites. In recent years, increased capital expenditures in the region have been due to investment projects in the manufacturing sector, although the latter declined by 30.4 % in 1991. Total capital spending in the region increased by only 1.5 %, after an 11.9 % rise in 1990. The 35 % drop in the number of hours worked also clearly reflects dwindling activity in the industrial construction sector. While work has begun to build de-inking plants in Cap-de-la-Madeleine and Shawinigan, no significant upturn is anticipated in the short term. However, in 1992, construction will begin of the new $150-million Tioxide chlorinated titanium pigment plant in Bécancour, which should sustain high levels of activity until 1994, when the facility is slated to open.

A number of paper machines were scheduled to go into production in the Mauricie — Bois-Francs pulp and paper sector in 1991. The recent inauguration of the new Kruger paper machine No. 10, worth an estimated $280 million, continues to justify the title "world paper capital" given to Trois-Rivières. Considered to be the most modern in Québec, the machine was entirely designed and built by the company's employees. Similarly, at its Laurentide plant in Grand-Mère, Stone-Consolidated inaugurated a $280-million paper machine employing a leading-edge technology in the realm of water finishing. In Drummondville, the German group Kunz-Uniboard opened its $100-million C.D.M. Laminés plant, the only one in the world to cover all phases of decorating paper production, i.e. manufacture, pasting and printing. This type of paper is used to cover chipboard, which in turn is used in decorative panels and furniture.

To help enhance the quality of the environment and comply with new American standards pertaining to the compulsory recycled fibre content of newsprint, two paper mills started construction of de-inking plants. Stone-Consolidated has earmarked $36 million for its Belgo plant in Shawinigan. Cascades, Donohue and Maclaren are investing $46 million in the new Désencrage C.M.D. facility in Cap-de-la-Madeleine. Les Industries Ling, a folding box manufacturer, has launched a $14.5-million expansion program at its facilities in Warwick. The project will create 40 jobs and double the plant's output.

In 1991, a $500-million expansion project was completed at the ABI aluminum smelter in Bécancour. With the coming on stream of the third and final pot line, overall aluminum production will be boosted to 360000 metric tons a year. Over 1 000 people are now employed at the plant. Reynolds Cable is winding up construction of its fourth plant to produce aluminum rods, used in electrical wiring and cables, at a cost of $49 million. Production was originally slated to begin at the end of the year, but had to be postponed until early 1992, due to problems in the electrical products sector. In 1992, Norsk-Hydro will launch operations at its new $7-million continuous casting plant, which will produce alloy bars.

In the non-metallic mineral products sector, Arriscraft, a new brick manufacturer, completed construction of its upmarket masonry plant in Saint-Étienne-des-Grès, at a cost of $11 million. The facility began operations in May and employs 150 people. The Société de haute technologie du Québec, in collaboration with Sphinx et Danoc, a mining company, has built an $8-million high-quality synthetic quartz plant in Trois-Rivières, which will help satisfy growing demand for this product, used to make high-technology devices such as lasers, video cameras, computers, satellites and so on.

Mention should also be made of two investment projects in Drummondville. Disque Améric has allocated $6.8 million to expand its facilities and purchase specialized equipment. The company is the only laser disc manufacturer in Québec and it hopes to develop export markets as a result of the expansion. Karhu Canada is spending $3.3 million to acquire a unique machine, designed to satisfy growing demand for personalized hockey sticks.

ESTRIE

Employment declined in the Estrie region in 1991 by 6.3 % (data for the first ten months of the year), the poorest showing of any region. The sixth consecutive quaterly downturn in employment in the manufacturing sector weighed heavily on the economy. For over three years, unemployment remained below the 9 % mark; in 1991, it rose to 12.2 % (data for the first ten months of the year). Layoffs at the end of the year, notably at Unicast and PPD Rem Spec, hardly bode well for a revival on the labour market in the coming months.

The situation in the construction industry is worsening: the number of hours worked plunged by 22 % in 1990 and, since the first half of 1991, have shrunk another 28 %. Changes in the residential construction sector reflect the overall economic climate. Housing starts nosedived by 39 % in the first half of 1991, after decreasing by 17 % in 1990.

Capital spending in the manufacturing sector, which has been losing steam since 1988, stabilized, following downturns of 31.0 % in 1988, 49.5 % in 1989, and 20.0 % in 1990. Such expenditures rose by 2.0 % in 1991. For the second year in succession, the growth rate of total regional capital spending exceeded 10 %, reaching 12.4 %.

Most of the limited number of major investment projects were launched in 1990 and completed in 1991 or are nearing completion. This is true, among others, of the particle board plant in Lac-Mégantic in which Tafisa, a Spanish firm, is investing $53 million; the $55-million Kruger de-inking facility in Bromptonville; and the $13-million expansion program launched by the Domlin division of Graybec at its Saint-Adolphe-de-Dudswell quicklime plant.

One especially welcome project, given the current economic situation, is the installation in the former Lowney factory in Sherbrooke of Bombardier's mass transit division. The company's purpose is twofold. First, it will relocate its Ski-Doo and Sea-Doo recreational products distribution centre, now in Boucherville, with a view to consolidating operations among dealers in Eastern Canada and the United States. Second, the plant will assemble parts used in the doors of the Challenger aircraft and the new stretch version of the regional jet. Some 100 jobs will be created as a result.

The Nouveaux exportateurs Estrie program, initiated in February 1991, is a noteworthy undertaking. In addition to encouraging the search for new markets, it enables company directors to become more familiar with customs, adopt a clear-cut strategy, and develop networks of contacts. The Fonds de démarrage-MRC Sherbrooke, recently set up, is also a worthwhile adjunct to regional economic development. The fund offers risk-sharing loans and capital stock; it can also offer new entrepreneurs guidance and follow-up.

MONTRÉAL AND LAVAL

The recession dealt a hard blow to the economies of the Montréal and Laval regions in 1991. Employment declined by 3.3 % (data for the first ten months of the year). The labour market was affected by several plant closings in the last quarters of the year (Culinar, Kemtec, Xception Design), and significant layoffs by major industrial employers and big airlines (Molson-O'Keefe, Biscuits Christie, Stone-Consolidated, Circo Craft, Philips Electronics, Canadian National, Air Canada, Canadian Airlines International, Nationair). As a result, unemployment climbed steeply to 13.3 % (data for the first ten months of the year).

Against this backdrop, the construction industry experienced a marked downturn: the number of hours worked fell by 22 % in the first half of 1991 throughout Montréal and Laval. Residential construction also sagged; housing starts decreased by 32 %, compared with a 24 % drop in the province overall. Activity in the commercial construction sector remained brisk, although the imminent completion of many big projects will put a damper on it. Among these projects, mention should be made of the World Trade Centre ($165 million), Marathon ($200 million), and BCED-Prodevco-Lavalin ($250 million). Record surpluses of rental space leave no room for any hope of a striking short-term revival in this type of construction.

Industrial construction is on the wane, again because of the completion of numerous major projects. However, the construction of several government buildings will generate some activity in the coming months. Such projects include the $20-million Laval courthouse, a $60-million expansion project at the UQAM, and the $85-million addition to the Montréal Museum of Fine Arts.

Overall, capital expenditures have remained buoyant, mainly because of vigorous investment in the tertiary sector. In 1991, anticipated capital spending rose by 6.8 %, following a 3.6 % drop in 1990. However, a substantial downturn in the manufacturing sector led to a 6.7 % decrease in manufacturing investment projects in 1991.

For the time being, the regional aeronautics sector appears to have weathered the recession. The 39th Salon de l'aéronautique et de l'espace du Bourget (Paris) resulted in major contracts for Canadair in Saint-Laurent, i.e. $200 million covering the manufacture of components for the Lockheed Orion patrol plane, the forward fuselage of the F-18, and Airbus A-330 and A-340 aircraft, not to mention the extension of the contract covering the assembly of the rear fuselage of the Boeing 767 aircraft.

Canadair's regional jet successfully completed its inaugural flight, the crowning touch to several years of effort and investment by the Bombardier subsidiary. The program, which has provided employment for 1200 people, was launched two years ago and required an initial investment of $275 million to develop and certify the aircraft. Starting in 1992, the company will produce 17 aircraft a year; this figure should increase to 48 in 1994. Moreover, Canadair received from the French government the confirmation of a contract for 12 CL-415 amphibious aircraft, at a cost of $300 million. The turbo-prop version of the water bomber will be manufactured in Dorval, and lead to the creation of 300 jobs. Rolls-Royce, which specializes in Montréal in overhauling and rebuilding aircraft engines, is completing a $9-million expansion project at its Lachine facilities. The expansion will enable the world's third largest engine manufacturer to satisfy the maintenance needs of jumbo jets well into the 21st century.

The electrical and electronic products sector enjoyed sustained growth, mainly because of major projects in the electronics sub-sector. At the Salon du Bourget in Paris, Spar Aerospace of Sainte-Anne-de-Bellevue obtained three contracts worth US$107 million, signed with NASA, China and Spain, to build satellite components. The firm also obtained a $230-million contract to carry out phase two of the RADARSAT remote-sensing satellite. Northern Telecom inaugurated an addition to its Saint-Laurent plant, built at a cost of $60 million, which will enable it to become a world centre of excellence in the realm of optical transmission products. The Bell-Northern Research laboratory on Île-des-Soeurs has doubled its R&D budget; over the next five years, $350 million will be made available to the company's research team. Through its new subsidiary, Teleglobe Research, Teleglobe Canada has embarked upon a five-year, $200-million plan that will create 200 jobs. Under the project, the company will consolidate in Montréal its operations in the field of telecommunications, software and communications services with added value.

Circo Craft has undertaken the next-to-last phase of a $40-million investment program, centred on the expansion and upgrading of its production facilities and product development. CAE Electronics has completed a $33-million expansion project at its Saint-Laurent plant. Philips is wrapping up an equipment acquisition and product development program worth $50 million.

In the wake of the coming into force of federal Bill C-22, which protects pharmaceutical patents, Merck Frosst in Kirkland has gone ahead with the expansion of its therapeutic research centre, at a cost of $70.4 million. The expansion will enable the firm to accommodate 300 new researchers involved in its $239-million five-year research program focusing on respiratory diseases and allergies. Abbott, an American multinational pharmaceutical company, is strengthening its presence in Québec and modernizing its Montréal facilities, at a cost of $10 million. Marion Merrell Dow, also an American pharmaceutical firm, is moving its Canadian head office from Toronto to the premises of Laboratoires Nordic, its subsidiary in Laval. IAF BioChem, a pharmaceutical company, has started building a research centre and a vaccine plant in the Laval scientific and high-technology park.

In the food and beverages sector, Borden is pursuing a $20-million expansion and modernization program at its Catelli pasta and sauce plant in Montréal. The modernization and expansion of Nabisco-Christie's Brown cookie factory in the east end of Montréal has been completed at a cost of $50 million, spread over two years. Cracker and cookie output capacity has been increased by 30%. The Multi-Marques bakery, the biggest of its kind in Québec, is investing $27 million in new facilities in Laval; the project will provide work for 100 people. In conjunction with the reorganization of its Québec operations, Primo, a food company, is concentrating the production of its Italian delicatessen products at its Laval plant. Some $4 million is being invested in new equipment and facilities. Montréal's two leading breweries are completing the second (and penultimate) phase of expansion projects: Molson-O'Keefe is investing $80 million to boost output capacity by 40%, and Labatt is spending $90 million to increase output by 10%.

Elsewhere in the manufacturing industry, mention should be made of the expansion of Imprimeries Quebecor facilities to produce advertising inserts and handbills. The company is spending $8 million to add two new dryer-equipped presses to existing equipment in LaSalle. The Noranda group is completing a $19.4-million expansion program at its Pointe-Claire technology centre. Manufacture de Bas Iris has just completed a $2.8-million expansion project and expects to significantly increase production capacity within two years.

OUTAOUAIS

The Outaouais region was scarcely affected by the recession in 1991. Job creation continued apace for the second consecutive year: the labour market expanded by 3.4% in 1991 (data for the first ten months of the year). This sound performance is due by and large to the presence of numerous service firms that deal with the federal government.

However, the manufacturing sector has not fared so well. Virtually all of the region's paper mills and sawmills had to engage in periodic layoffs in order to gear output to dwindling orders. More favourable hiring prospects in the services sector encouraged greater numbers of people to seek employment, thereby expanding the labour force, although the latter could not absorb all job seekers. As a result, the unemployment rate rose to 9.3 % (data for the first ten months of the year). The Outaouais region nonetheless had the second lowest unemployment rate in Québec in 1991.

In 1991, growth in capital expenditures within the region outstripped all of the other regional economies. They increased by 18.0 %, compared with 2.5 % for Québec as a whole. Robust investment in the manufacturing sector, mainly the paper industry, contributed to this performance. After dropping by 26.6 % in 1990, capital spending in the manufacturing sector climbed by a remarkable 59.8 % in 1991.

Despite setbacks in the forest industry, Canadian Pacific Paper Products has just announced a $210-million investment at its Gatineau facilities. Spread over three years, the project calls for the construction of a thermomechanical pulp plant and upgrading paper machines. The reorganized plant will manufacture high-quality newsprint containing recycled fibres. At the same complex, CPPP was slated to complete a $100-million newsprint de-inking plant by the year end .

The James Maclaren sawing, veneer-peeling and inlaid flooring divisions in Maniwaki have all been closed for several months, and are up for sale. Negotiations are under way between a group of Maniwaki business people and the forest products company; a decision is expected shortly. The problems the plants are facing are directly attributable to the current economic situation. Hardwood, the main type of wood processed by Maclaren, is used to manufacture furniture, one of the industries hard hit by the recession.

For the third consecutive half-year, construction declined, in keeping with the trend noted throughout the province. During the first half of 1991, the number of hours worked in the Outaouais region fell by 18 %, compared with 19 % in Québec as a whole. Residential construction was the hardest hit; housing starts plummeted by 33 % in the region, compared with 24 % in the province overall. This situation should improve shortly, as work on Canadian Pacific Forest Products sites enters more active phases in the coming months.

ABITIBI-TÉMISCAMINGUE

In 1991, employment remained fairly stable in the Abitibi-Témiscamingue region, increasing by 1.7 % in the first ten months of the year. Weak demand on the timber, paper and base metal markets largely explains this situation. The unemployment rate reached 13.3 %, higher than that in Québec overall.

A number of local firms are taking advantage of the economic downturn and slack production to revamp their factories. Tembec, a paper company, is pursuing its capital spending program, making it the main economic driving force in the region. In Témiscaming, the company is completing construction of a methyl alcohol plant, at a cost of $34 million, and is stepping up work on the $128-million Temcell-2 chemical-thermomechanical pulp plant. The company's Temfor division, in Ville-Marie, has launched operations at its laminated products facility. Built at an estimated cost of $15 million, the plant will manufacture a new product of Scandinavian origin, laminated veneer lumber. Moreover, the firm has invested $65 million in its environmental cleanup program, which it has completed.

Overall capital expenditures have remained fairly steady, largely because of investment in the public utilities sector. Such spending increased by 6.4 % in 1991, compared with a 26.8 % drop in 1990. Capitalization in the manufacturing sector fell by 13.7 % in 1991.

The slowdown in the manufacturing sector also affected the number of hours worked in the construction industry. Since the first half of 1991, the number has plunged by 49 %, compared with 19 % for Québec as a whole. The Tembec projects, combined with the acceleration of work at the Temcell-2 site, should lead to a slight upturn in the coming months, although it will be insufficient to raise the number of hours worked in manufacturing construction throughout 1991.

CÔTE-NORD AND NORD-DU-QUÉBEC

Residents of the Côte-Nord and Nord-du-Québec regions will not look back fondly on 1991. The list of bad news grows longer as the months go by: forest fires in the Côte-Nord region were followed by the Cascades and Donohue plant closings in Port-Cartier and Comtois, respectively. Combined with the weakened economy, these events have undermined employment: the number of jobs decreased by 6.4 % in 1991 (data for the first ten months of the year), compared with a 4.4 % increase in 1990. In 1991, the unemployment rate reached 14.7 % (data for the first ten months of the year), compared with an annual average of 11.5 % for the three preceding years.

Mining operations remained brisk in the Côte-Nord and Nord-du-Québec regions. Mines Wabush in Pointe-Noire, near Sept-Îles, modernized its plant at a cost of $50 million. Falconbridge, a wholly-owned subsidiary of Noranda and Trelleborg, gave the go ahead to a $35-million underground exploration program on the site of its Raglan nickel deposit, located in the Nord-du-Québec region. Québec Cartier and IOC stepped up iron ore production to satisfy growing Japanese demand, a reversal of the general trend, which is affected by the depressed steel market.

The primary metals industry is fostering economic development in the region. In Pointe-Noire, the Alouette consortium is building a $1.4-billion aluminum smelter with an annual capacity of 215000 tons. It will employ 600 people. In conjunction with this project, the Venezuelan firm Cabelum is studying the possibility of setting up a $45-million aluminum rod plant in Sept-Îles. Output will be used to manufacture electrical and mechanical wires and parts. Canadian Reynolds Metals put a fifth pot line into service at its Baie-Comeau plant, ahead of schedule. This expansion project, launched in 1989, required an investment of $520 million. As a result, annual output capacity has been increased to 400000 metric tons of aluminum and the plant is providing work for 250 people.

During the summer, forests in the Côte-Nord region were ravaged by fire. Several sawmills, including the Scierie des Outardes, temporarily halted operations because of the loss of supplies. In Lebel-sur-Quévillon, Domtar, which was not affected by the fires, pursued the construction of a chlorine plant and the installation of a carbon dust emission scrubbing system. The project, worth an estimated $60 million, should be completed by early 1992.

The closing in Port-Cartier of the Cascades mill led to 400 layoffs. Since then, the company has focused on keeping the facilities intact for at least one year and encouraging the search for an investor likely to reopen the facility.

Electrical engineering projects and work in the aluminum sector have been a driving force in construction in the region. Growth in the number of hours worked was robust: after increasing by 36 % in 1990, a 23 % upswing was recorded during the first half of 1991, and performance in the second half was set to maintain this trend.

The realization of the foregoing major investment projects kept capital expenditures high in 1991. For the second consecutive year, they totalled some $2.5 billion. The manufacturing sector, where capital spending was up 17.1 %, accounted for nearly 40 % of all such spending.

GASPÉSIE— ÎLES-DE-LA-MADELEINE

In 1991, a less pronounced downturn in employment and cooperation with respect to economic development were the highlights of the year in the Gaspésie—Îles-de-la-Madeleine region.

The region, however, was not able to match its 1990 level of capital spending. It registered a 22.5 % drop in 1991. The reason for this decline is easy to pinpoint. The record 1990 level of capital spending was brought about by a single major investment project in the Îles-de-la-Madeleine, a thermal power-station currently nearing completion.

Employment fell by 4.0 % (data for the first ten months of the year), compared with a 10.1 % drop in 1990. Streamlining has been under way for a year in the fishing industry and it, and the general economic slowdown, have contributed largely to reduced employment. The unemployment rate, down slightly from a year earlier, was nonetheless high at 18.9 %, 6.9 percentage points above the Québec average.

Cusimer, a Saint-Maxime-du-Mont-Louis firm, consolidated its sea products processing operations, which used to be carried out elsewhere in Québec. The project involved an investment of $1.6 million and has created 75 jobs. Commercial operation of a major vein of fine-grained black granite, the only one in North America of this quality, has development potential. Discovered in Sainte-Anne-des-Monts, this industrial material is used for architectural and ornamental purposes and could easily compete with current imports from Africa.

Despite difficult times in the forest products industry, Groupe Deniso Lebel has completed the construction in Cap-Chat of a $6-million sawmill. In La Martre, Produits Forestiers L.M.C. has started up operations at its wooden pallet plant, built at a cost of $1.6 million.

In the field of biotechnology, research conducted by Biolyse Pharmacopée, a private laboratory in Port-Daniel, could lead to the production of a drug against certain types of cancer, based on Taxus canadensis, a tree in abundant supply in the Gaspésie region. Once the pilot plant has been completed, the project will enter a semi-industrial phase and will produce sufficient quantities of the drug, Taxol, for clinical trials in Canada. Conditions in the construction industry in the Gaspésie—Îles-de-la-Madeleine region were more favourable in 1991 than in the first half of the preceding year, due to increased activity at the Cap-aux-Meules hospital and the new Îles-de-la-Madeleine thermal generating station.

LANAUDIÈRE

The labour market in the Lanaudière region was fairly sluggish in 1991. Employment decreased by 1.5 % (data for the first ten months of the year), after stagnating in 1990, when it rose by scarcely 0.7 %. The unemployment rate increased and topped the 10 % mark (data for the first ten months of the year). Montréal's proximity facilitates the mobility of the workforce. For this reason, the extensive layoffs in Montréal affected the region.

Few new investment projects were announced, a reflection of capital expenditures in the manufacturing sector. In 1991, anticipated spending plummeted by 62.0 %, compared with a 30.8 % drop in 1990. The construction industry slumped, with an attendant downturn in employment. Work continued on a number of commercial buildings under construction.

Job losses in the manufacturing sector affected the region. The economic situation hit the sawing industry particularly hard, as witnessed by the closing of the Scierie Saint-Michel (250 jobs) and Lanofor mills (115 jobs), both located in Saint-Michel-des-Saints.

While the northern portion of the Lanaudière region is especially vulnerable to the economic climate, the southern portion has enjoyed expansion due to marked population growth. The plastics and rubber products industry, among others, has fostered growth and created jobs. The Vibac Canada group, specializing in the manufacture of industrial adhesive tape, recently inaugurated its $40-million plant in Lanoraie. The Vifan plant, equipped with the most technologically up-to-date equipment, employs 90 people. Bridgestone-Firestone has extended for one year an $85-million expansion program at its Joliette facilities. The project was slated for completion in late 1990, but was delayed because of the economic situation. Les Technologies industrielles S.N.C. has elaborated a development strategy which may entail spendings up to a total of $100 million over a three-year period.

LAURENTIDES

The labour market in the region is drying up. After stabilizing in 1990, employment fell by 1.2 % in 1991 (data for the first ten months of the year). The drop can be explained, among other things, by the temporary shutdown at the General Motors Boisbriand plant, where 1 800 jobs have been lost for up to one year, the closing of the Woodbridge Inoac plant in Saint-Jérôme, and that of Feutres Ayers in Lachute. Unemployment is high at 13.7 % (data for the first ten months of the year); over the six preceding years, it averaged only 11.2 %.

The transportation equipment industry plays a leading role in the Laurentides region's economy. General Motors is retooling its Boisbriand plant in the wake of obtaining the contract to manufacture Camaro and Firebird models, at an estimated cost of $215 million. Current conditions on the automobile market have led to the reorganization of the timetable; commercial production has been postponed until the fall of 1992. The plant will be reopened gradually, with the loss of 700 jobs.

Another important asset, the aeronautics sector, has lost none of its vitality. In 1991, Bell Helicopter Textron delivered its 500th aircraft. The firm remains at the forefront in its field, as revealed by the launching of the prototype of its first helicopter built entirely in Québec. The new, twin-engine model 230 will require the construction of a fifth assembly line and provide jobs for 85 people. Expansion at the firm's Mirabel plant will cost $2 million. With orders for 134 Bell model 206B-111s and 206L-111s on its books, the company will continue to keep 1 100 positions open for several more months.

Barely one year after it announced that it was setting up operations in Saint-Janvier, Dowty Aeorspace, a British firm, inaugurated its new aircraft landing gear factory, worth $111 million. For the time being, the plant has a contract to supply Airbus A-330 and A-340 aircraft. As the pace of production increases, the workforce will grow from 100 workers in 1991, to 200 in 1993, and 400 and 1995.

The regional construction industry is showing signs of slowing down. Work at the General Motors plant will likely give the industry a boost. Construction has been sluggish since 1991, when several projects, notably the Dowty plant, were completed.

Capital expenditures in the region remained firm. Overall, they were expected to grow by 17.9 %, after plunging by 56.3 % in 1990.

MONTÉRÉGIE

The Montérégie region is the industrial heart of Québec, and it has been hard hit by the recession. Lagging growth, layoffs, job-sharing and permanent plant closings have been the order of the day throughout the manufacturing sector. Goodyear, Emballages Somerville, Sidbec-Dosco, QIT-Fer et Titane, Métaux Timminco, Sivaco, Pratt & Whitney, Crouse-Hinds and Oerlikon Aerospace have all been affected.

The labour market shrunk by 3.8 % in 1991 (data for the first ten months of the year), one-and-a-half times the downturn recorded in Québec as a whole. This failure to create jobs stood out in terms of the region's past performance: the number of jobs increased by 3.9 % in 1989 and 2.8 % in 1990. The unemployment rate reached 10.4 % in 1991 (data for the first ten months of the year).

Capital expenditures in the manufacturing sector waned in relation to preceding years. Following average annual increases of 10.5 % between 1987 and 1990, they declined by 31.2 % in 1991.

To varying degrees, Montérégie businesses in the aeronautics sector are facing lagging demand for commercial and military aircraft.

Despite the temporary elimination of over 1 000 jobs, Pratt & Whitney is pursuing a five-year, $300-million expansion and modernization program launched in 1989 at its Longueuil facilities. The same company has engaged in a similar project at its Saint-Hubert engine overhaul shop, slated for completion in April 1992, and worth $10 million. Héroux is investing $10 million in its Longueuil plant, specializing in the manufacture, repair and maintenance of aircraft landing gear. The firm is tailoring its facilities to the needs of jumbo jets.

In conjunction with the relocation of its mass transit division, Bombardier has decided to move its administrative and engineering services from Boucherville to a new building in Saint-Bruno, slated to house 300 staff. Honda Canada is completing the construction of its new regional headquarters for Québec, also located in Boucherville, at a cost of $32 million. Lear Seating, North America's biggest car seat manufacturer, is setting up operations in Cowansville. Its plant will be the exclusive supplier to Hyundai in Bromont; it will provide employment for 50 people.

In 1991, aerospace dominated the regional electrical and electronic products sector. Work started in Saint-Hubert on the headquarters of the Canadian Space Agency. Mitel entered the second year of a three-year, $50-million investment program at its Bromont plant, to expand and modernize the production of semi-conductors. IBM completed a $135-million investment project at its Bromont plant. Hydro-Québec has granted Asea Brown Boveri a $30-million contract to build six auto-transformers, which will make it possible to maintain 400 jobs at the Varennes plant.

The chemical products industry has been affected by the spending cuts announced by the Department of National Defence. Expro, a munitions manufacturer located in Valleyfield, has had to close its nitrocellulose production department. The U.S. government's recognition of Expro as a domestic supplier of propellant powders, however, has enabled the firm to obtain a major contract south of the border, as a result of which it has hired back the workers it recently laid off. ICI is initiating a $29-million investment program aimed at modernizing and expanding the capacity of its McMasterville facilities.

In the primary metals industry, plant closings, streamlining and layoffs highlighted 1991 in the region. With its order book almost empty, the Stelco McMaster steel mill in Contrecoeur reduced its staff by 10 % in order to bolster productivity and meet international competition. Les Aciers Slater avoided massive layoffs by instituting a job-sharing program.

A slump in the titanium pigment market and concomitant increases in inventories have compelled QIT-Fer et Titane to cut 200 jobs. Current market trends leave little hope that laid-off workers will be called back in the near future. Following the closing of the Timminco ferrosilicon plant, Elkem Canada announced that it was shutting down its manganese processing facility. The market for manganese alloys, used above all to manufacture heavy metal products, has suffered the adverse effects of the slowdown in the automobile industry.

Despite difficult economic times, Sidbec-Dosco and Dofasco completed the construction of a $50-million galvanizing plant in Coteau-du-Lac, through Sorevco, a partnership involving the two companies. In the zinc sector, the new electrolysis hall at the CEZinc plant in Valleyfield went into operation at the beginning of the year. The facility, worth $120 million, is one of the most modern in the world.

The metal products sector has also had to streamline operations and deal with surplus inventory. At the beginning of the year, Sivaco, a division of Ivaco, a nail, staple and metal mesh manufacturer, laid off 250 workers. The Marieville plant recently convinced employees to display greater flexibility in their collective agreement, to enable the firm to promptly respond to new orders. Canvil, in Granby, which specializes in machine tools, shut down its operations and transferred production of forged metal items to Texas. Rockwell International in Lacolle also closed its car spring plant and transferred production to its Hamilton facilities. In the paper products sector, Perkins Papers completed a $45-million expansion project in Candiac.

The food sector was dominated in 1991 by Weston's move to its new bakery in the Longueuil industrial park. The $47-million plant is at the leading edge of technological development and environmental protection. Tyson Canada has inaugurated its research and development centre in Iberville. Agropur, an agri-business cooperative, is investing $1.5 million in the Fromagerie de Corneville, most of it devoted to adopting a new technology, of French origin, for manufacturing fine, soft cheeses. In Granby, Agropur has earmarked $10 million for the reorganization of its facilities and the purchase of ultramodern equipment.

In the rubber and plastics products industry, two projects are noteworthy. Caoutchoucs Acton is investing $3.5 million to modernize its Acton Vale plant. Poly-Plus, a firm specializing in the manufacture of polyethylene film, has started up operations at its new Farnham plant, worth $2 million.

The Hafner group's three-year, $31-million expansion project in Granby has been completed; as a result, the thread and textile manufacturer will be able to bolster its competitiveness on the American market. J.L. De Ball, an upholstery fabric, clothing and drapery manufacturer, is investing $11 million to expand and modernize its Granby plant. The project will create 75 to 100 jobs and maintain 110 existing ones.

According to the Commission de la construction du Québec, the Montérégie region construction sector experienced a sharp downturn in the first half of 1991, as was the case elsewhere in Greater Montréal. The number of hours worked plunged by 29 % and housing starts plummeted by 21 %. This slump was largely attributable to the industrial sector. Major projects were completed in 1990, and few important projects were launched in 1991. Engineering work remained fairly brisk. Mention should be made of the water purification programs in Chambly, Bedford and Châteauguay, and the repair of the Beauharnois electricity generating station.

STATISTICAL TABLES

COMPARISON OF ECONOMIC PERFORMANCE QUÉBEC, ONTARIO, CANADA 1990-1991 (percentage change)

	Real GDP (1)		EMPLOYMENT		CAPITAL EXPENDITURES		CPI (2)	
	1990	1991 F	1990	1991 (10 months)	1990	1991 F	1990	1991 (10 months)
QUÉBEC	-0.2	-0.6	0.8	-2.5	2.6	2.5	4.2	6.3
ONTARIO	-1.3	-0.9	-0.3	-3.6	-6.9	3.4	4.7	3.0
CANADA	0.3	-0.3	0.7	-2.0	0.2	2.8	4.8	4.4

F: Forecast.

(1) Gross domestic product at factors' price, in 1986 dollars.

(2) Consumer price index, Montréal, Toronto, Canada.

SOURCES: Conference Board of Canada.
Statistics Canada, *The Labour Force* (Catalogue No. 71-001); *Private and Public Investment in Canada* (Catalogue No. 61-205);
The Consumer Price Index (Catalogue No. 62-001) and CANSIM.
Direction de l'analyse de la conjoncture industrielle, MICT.

UNEMPLOYMENT RATES QUÉBEC, ONTARIO, CANADA 1990-1991

	UNEMPLOYMENT RATE	
	1990	1991 (10 months)
	(%)	
QUÉBEC	10.1	12.0
ONTARIO	6.3	9.6
CANADA	8.1	10.3

SOURCES: Statistics Canada, *The Labour Force* (Catalogue No. 71-001).
Direction de l'analyse de la conjoncture industrielle, MICT.

HOUSING STARTS QUÉBEC, ONTARIO, CANADA 1990-1991

	HOUSING STARTS (pop. 10 000 +)	
	1990	1991 (10 months)
	(thousands)	
QUÉBEC	40.2	34.1 (1)
ONTARIO	53.3	44.6 (1)
CANADA	150.6	123.9 (1)

(1) Seasonally adjusted data.

SOURCES: Canada Mortage and Housing Corporation,
Housing Information Montly.
Direction de l'analyse de la conjoncture industrielle, MICT.

MAIN ECONOMIC INDICATORS
QUÉBEC
1990-1991
(percentage change)

	Real GDP		EMPLOYMENT		CAPITAL EXPENDITURES		WAGES	
INDUSTRY	**1990**	**1991 F**	**1990**	**1991** (10 months)	**1990**	**1991 F**	**1990**	**1991** (8 months)
Agriculture	1.7	0.2	5.5	13.1	-6.1	-2.9	n/a	n/a
Other primary industries	-2.2	-3.2	-6.1	1.9	-24.0	0.8	n/a	n/a
Manufacturing	-5.8	-6.8	-6.8	-9.2	4.0	-9.6	6.0	4.9
Construction	3.9	-4.2	1.8	-14.2	1.7	-4.0	5.6	5.7
Transportation, communication and other utilities	0.8	1.9	3.0	-5.2	16.6	25.0	3.7	7.3
Trade	-2.1	-2.9	1.2	-1.9	-12.2	9.4	6.7	4.8
Finance, insurance and real estate	2.0	6.8	-2.0	14.3	-0.0	-11.7	7.5	1.6
Services	2.3	0.1	4.6	-0.4	-14.3	3.8	7.7	7.9
Public administration	2.3	2.4	3.6	-2.3	7.3	14.9	7.5	5.3
ALL INDUSTRIES	**-0.2**	**-0.6**	**0.8**	**-2.5**	**2.6**	**2.5**	**6.2**	**6.0**

F: Forecast.
n/a: Not available.
SOURCES: Conference Board of Canada, *Provincial Outlook*, October 1991.
Statistics Canada, *The Labour Force* (Catalogue No. 71-001);
Private and Public Investment in Canada (Catalogue No. 61-205);
Employment, Earnings and Hours (Catalogue No. 72-002), SIC 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

INTERNATIONAL ECONOMIC SITUATION
1990-1991
(changes or rates as a percentage)

COUNTRY	Real GDP 1990	Real GDP 1991^{F}	EMPLOYMENT 1990	EMPLOYMENT 1991^{F}	INFLATION (1) 1990	INFLATION (1) 1991^{F}	UEMPLOYMENT RATE 1990	UEMPLOYMENT RATE 1991^{F}
Canada	0.5	-0.8	0.7	-1.7	4.2	5.8	8.1	10.3
United Sates (2)	0.9	-0.2	0.5	-0.5	5.0	4.3	5.5	6.7
Japan (2)	5.6	3.5	2.0	1.5	2.4	2.5	2.1	2.2
West Germany (2)	4.5	2.8	2.5	1.7	2.5	3.3	5.1	5.0
France	2.8	1.4	1.1	0.1	3.0	3.1	9.0	9.4
United Kingdom	0.6	-1.8	1.5	-3.4	4.8	6.0	5.5	8.2
Italy	2.0	1.7	1.4	0.1	6.2	6.4	11.0	11.3
TOTAL, OECD	**2.6**	**1.1**	**1.3**	**0.0**	**4.6**	**4.5**	**6.2**	**7.1**

F: Forecast.
(1) Private consumption deflators (OECD figures).
(2) GNP.
SOURCES: Canada: Conference Board of Canada, October 1991.
Other countries: OECD, *Perspectives économiques de l'OCDE*, July 1991.
Direction de l'analyse de la conjoncture industrielle, MICT.

OUTLOOK FOR 1992
OECD FORECASTS
(changes or rates as a percentage)

COUNTRY	Real GDP	EMPLOYMENT	INFLATION (1)	UNEMPLOYMENT RATE
Canada	3.1	1.2	3.4	10.1
United States (2)	3.1	1.8	3.9	6.3
Japan (2)	3.5	1.3	2.1	2.3
West Germany (2)	2.2	1.4	4.0	5.1
France	2.7	0.2	3.0	9.7
United Kingdom	1.6	-1.6	4.5	9.6
Italy	2.7	0.4	5.5	11.2
TOTAL OECD	**2.9**	**1.0**	**4.0**	**7.1**

(1) Private consumption deflators (OECD figures).
(2) GNP.
SOURCES: OECD, *Perspectives économiques de l'OCDE*, July 1991.
Direction de l'analyse de la conjoncture industrielle, MICT.

ECONOMIC FORECASTS FOR 1992
QUÉBEC
(changes or rates as a percentage)

	CONFÉDÉRATION DESJARDINS	CONFERENCE BOARD OF CANADA	ROYAL BANK	NATIONAL BANK OF CANADA
	Oct. 1991	Oct. 1991	Sept. 1991	Sept. 1991
GDP	2.3	2.8	3.0	2.8
EMPLOYMENT	1.4	1.0	1.7	1.2
UNEMPLOYMENT RATE	11.8	11.2	12.1	11.5
CPI (1)	4.8	4.5	4.5	5.0

(1) CPI: Consumer Price Index, Province of Quebec.
SOURCE: Direction de l'analyse de la conjoncture industrielle, MICT.

ECONOMIC INDICATORS
QUÉBEC, ONTARIO, CANADA
1990-1991

	Real GDP (1)		EMPLOYMENT		UNEMPLOYED		CAPITAL EXPENDITURES	
	1990	1991 F	1990	1991 (10 months)	1990	1991 (10 months)	1990	1991 F
	(millions of dollars)		(thousands)		(thousands)		(millions of dollars)	
QUÉBEC	136 631	137 609	3 054.8	2 996.0	344.5	408.1	30 322.3	31 068.0
ONTARIO	241 320	244 419	4 937.0	4 776.0	330.8	509.9	53 259.4	55 078.7
CANADA	596 243	604 962	12 571.6	12 368.3	1 109.1	1 424.0	136 389.4	140 252.3

F: Forecast.
(1) Gross domestic product at factors' price, in current dollars.
SOURCES: Conference Board of Canada, Octobre 1991.
Statistics Canada, *The Labour Force* (Catalogue No. 71-001); *Private and Public Investment in Canada* (Catalogue 61-205).
Direction de l'analyse de la conjoncture industrielle, MICT.

MANUFACTURERS' SHIPMENTS
QUÉBEC
1988-1991

INDUSTRY	1988	1989	1990	1991 (9 months)	1989/1988	1990/1989	1991/1990 (9 months)
	(millions of dollars)				(percentage change)		
Food	9 207	9 111	9 359	7 074	-1.0	2.7	2.1
Beverages	1 528	1 532	1 616	1 324	0.3	5.4	13.9
Tobacco products	‡	‡	‡	‡	—	—	—
Rubber products	‡	‡	‡	‡	—	—	—
Plastics products	1 469	1 565	1 461	1 036	6.5	-6.6	-8.1
Leather	534	543	520	317	1.7	-4.3	-16.5
Primary textiles	1 688	1 591	1 276	985	-5.7	-19.7	-0.2
Textile products	1 629	1 589	1 502	1 072	-2.4	-5.5	-7.1
Clothing	4 062	4 231	3 993	2 727	4.1	-5.6	-11.0
Wood	3 614	3 678	3 495	2 432	1.8	-5.0	-10.7
Furniture	1 438	1 532	1 363	928	6.5	-11.1	-7.7
Paper	8 123	8 817	7 857	5 302	8.5	-10.9	-10.9
Printing and publishing	3 315	3 369	3 171	2 329	1.6	-5.9	-1.7
Primary metals	7 466	7 341	6 439	4 384	-1.7	-12.3	-8.9
Fabricated metal products	3 981	4 139	4 011	2 769	4.0	-3.1	-8.7
Machinery	1 668	1 785	1 870	1 155	7.1	4.7	-17.0
Transportation equipment	6 344	7 074	6 300	3 720	11.5	-11.0	-23.1
Electrical and electronic products	4 843	5 708	5 354	3 617	17.8	-6.2	-9.4
Non-metallic mineral products	1 838	1 720	1 530	982	-6.4	-11.0	-17.5
Petroleum products	2 700	2 645	3 370	2 580	-2.0	27.4	12.7
Chemical products	5 133	5 376	5 241	3 782	4.7	-2.5	-3.9
Miscellaneous manufacturing	‡	‡	‡	‡	—	—	—
Durable goods (1)	31 191	32 978	30 362	19 986	5.7	-7.9	-13.0
Non-durable goods (1)	39 387	40 369	39 365	28 527	2.5	-2.5	-2.8
TOTAL	**73 687**	**76 692**	**72 940**	**50 828**	**4.1**	**-4.9**	**-7.2**

‡ Confidential data.

(1) Partial, excluding confidential data.

SOURCES: Statistics Canada, *Inventories, Shipments and Orders in Manufacturing Industries* (Catalogue No. 31-001).
Direction de l'analyse de la conjoncture industrielle, MICT.

QUÉBEC'S INTERNATIONAL EXPORTS
25 PRINCIPAL PRODUCTS EXPORTED
1988-1991

RANK 1990	PRODUCT	1988	1989	1990	1991 (8 months)	1989/1988	1990/1989	1991/1990 (8 months)
		(millions of dollars)				(percentage change)		
1.	**Newsprint**	3 118.9	2 786.3	2 695.2	1 948.6	-10.7	-3.3	9.9
2.	**Aluminum and alloys**	2 674.5	2 344.4	2 008.5	1 501.8	-12.3	-14.3	12.1
3.	**Other telecommunications equipment and material**	1 096.7	1 485.2	1 586.7	2 240.3	35.4	6.8	93.5
4.	**Aircraft engines and parts**	802.6	1 039.5	1 160.7	622.0	29.5	11.7	-15.0
5.	**Automobiles and chassis**	1 958.9	1 825.5	1 032.7	612.6	-6.8	-43.4	-23.5
6.	**Wood pulp and similar pulps**	640.1	742.5	649.2	392.6	16.0	-12.6	-8.4
7.	**Copper and alloys**	496.4	647.8	610.7	452.8	30.5	-5.7	16.0
8.	**Entire aircraft with engines**	345.6	497.9	591.3	584.1	44.1	18.8	72.8
9.	**Other measuring and controling instruments**	333.1	399.9	562.3	398.1	20.1	40.6	30.7
10.	**Office machines and equipment**	498.4	469.0	502.0	269.1	-5.9	7.0	-16.4
11.	**Lumber**	524.6	547.9	469.6	339.9	4.4	-14.3	8.7
12.	**Fresh, refrigerated and frozen meat**	344.2	365.9	395.4	237.0	6.3	8.0	-13.8
13.	**Basic metalworks**	321.7	337.4	357.1	206.1	4.9	5.8	-12.8
14.	**Iron ore and concentrates**	330.8	312.6	341.3	250.1	-5.5	9.2	29.8
15.	**Zinc and alloys**	186.6	296.1	332.1	176.4	58.7	12.1	-24.2
16.	**Other equipment and tools**	309.9	338.6	328.0	195.4	9.3	-3.1	-9.6
17.	**Other printing paper**	71.6	225.2	315.0	196.6	214.3	39.9	-1.0
18.	**Unfinished asbestos**	283.6	315.6	288.7	205.9	11.3	-8.5	8.5
19.	**Other paper**	169.7	192.2	269.6	171.3	13.3	40.3	0.7
20.	**Aircraft parts except engines**	243.9	192.8	244.1	203.0	-21.0	26.6	33.5
21.	**Other general-purpose industrial machinery**	123.2	162.6	224.1	125.4	32.0	37.8	-12.4
22.	**Clothing and accessories**	275.3	227.2	220.7	162.0	-17.5	-2.9	19.1
23.	**Organic chemical products**	157.9	141.1	215.4	126.2	-10.6	52.6	-20.5
24.	**Other chemical products**	139.8	146.8	203.8	152.6	5.0	38.8	12.0
25.	**Other finished products**	368.6	379.2	203.5	114.3	2.9	-46.3	-16.2
	TOTAL							
	10 PRINCIPAL PRODUCTS	11 965.2	12 238.1	11 399.2	9 022.1	2.3	-6.9	18.9
	25 PRINCIPAL PRODUCTS	15 816.8	16 419.4	15 807.7	11 884.1	3.8	-3.7	13.5
	ALL PRODUCTS	**22 580.6**	**23 302.3**	**24 266.0**	**17 454.8**	**3.2**	**4.1**	**8.4**

SOURCES: Bureau de la statistique du Québec, *Exportations internationales du Québec.*
Direction de l'analyse de la conjoncture industrielle, MICT.

QUÉBEC'S INTERNATIONAL EXPORTS
1988-1991

DESTINATION		1988	1989	1990	1991 (8 months)	1989/1988	1990/1989	1991/1990 (8 months)
		(millions of dollars)				(percentage change)		
United States		16 999.3	16 954.5	18 139.7	13 003.0	-0.3	7.0	6.9
	%	75.3	72.8	74.8	74.5			
EEC		2 847.9	3 306.4	3 189.4	2 411.8	16.1	-3.5	17.1
	%	12.6	14.2	13.1	13.8			
Japan		448.3	469.8	415.3	237.7	4.8	-11.6	-7.4
	%	2.0	2.0	1.7	1.4			
Other countries		2 285.1	2 572.0	2 521.6	1 802.4	12.6	-2.0	11.0
	%	10.1	11.0	10.4	10.3			
TOTAL		**22 580.6**	**23 302.6**	**24 266.1**	**17 454.8**	**3.2**	**4.1**	**8.4**
	%	**100.0**	**100.0**	**100.0**	**100.0**			

SOURCES: Bureau de la statistique du Québec, *Exportations internationales du Québec*.
Direction de l'analyse de la conjoncture industrielle, MICT.

EMPLOYMENT, BY INDUSTRY
QUÉBEC
1988-1991

INDUSTRY	1988	1989	1990	1991 (10 months)	1989/1988	1990/1989	1991/1990 (10 months)
	(thousands)				(percentage change)		
Agriculture	68.7	56.7	60.0	68.3	-17.5	5.8	13.1
Other primary industries	40.3	44.2	41.7	42.6	9.7	-5.7	1.9
Manufacturing	611.5	625.7	583.3	534.2	2.3	-6.8	-9.2
Construction	173.8	164.3	167.1	145.3	-5.5	1.7	-14.2
Transportation, communication and other utilities	226.2	222.1	228.9	215.3	-1.8	3.1	-5.2
Trade	512.7	538.6	544.6	535.2	5.1	1.1	-1.9
Finance, insurance and real estate	164.7	172.3	168.8	191.9	4.6	-2.0	14.3
Service	1 004.1	998.8	1 044.6	1 050.6	-0.5	4.6	-0.4
Public administration	198.6	208.5	215.8	212.7	5.0	3.5	-2.3
ALL INDUSTRIES	**3 000.6**	**3 031.3**	**3 054.8**	**2 996.0**	**1.0**	**0.8**	**-2.5**

SOURCES: Statistics Canada, *The Labour Force* (Catalogue No. 71-001).
Direction de l'analyse de la conjoncture industrielle, MICT.

EMPLOYMENT
MANUFACTURING SECTOR
QUÉBEC
1988-1991

	1988	1989	1990	1991 (10 months)	1989/1988	1990/1989	1991/1990 (10 months)
	(thousands)				(percentage change)		
EMPLOYMENT							
Total	611.5	625.8	583.3	534.2	2.3	-6.8	-9.2
Men	432.0	436.4	409.4	378.9	1.0	-6.2	-8.0
Women	179.5	189.3	173.8	155.3	5.5	-8.2	-12.2
FULL-TIME EMPLOYMENT							
Total	590.7	603.8	566.6	515.8	2.2	-6.2	-9.8
Men	424.2	427.9	402.3	371.2	0.9	-6.0	-8.3
Women	166.5	175.9	164.6	144.6	5.6	-6.4	-13.7
PART-TIME EMPLOYMENT							
Total	20.8	21.7	16.7	18.1	4.3	-23.0	11.0
Men	7.8	8.4	7.5	7.7	7.7	-10.7	5.5
Women	13.0	13.3	9.2	10.7	2.3	-30.8	16.3

SOURCES: Statistics Canada, *The Labour Force* (Catalogue No. 71-001) and special compilations.
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE HOURLY EARNINGS IN MANUFACTURING (INCLUDING OVERTIME)
EMPLOYEES PAID BY THE HOUR
QUÉBEC
1988-1991

INDUSTRY	**1988**	**1989**	**1990**	**1991** (8 months)	**1989/1988**	**1990/1989**	**1991/1990** (8 months)
	(dollars)				(percentage change)		
Food and beverages	12.11	12.48	13.00	13.50	3.1	4.2	5.1
Tobacco products	21.45	23.06	24.12	25.96	7.5	4.6	8.9
Rubber and plastics products	10.59	11.55	11.52	11.84	9.1	-0.3	1.8
Leather	7.77	7.99	8.38	8.67	2.8	4.9	5.3
Textiles	9.58	10.08	10.11	10.53	5.2	0.3	4.6
Knitting mills	7.63	8.08	8.37	8.35	5.9	3.6	-0.4
Clothing	7.59	8.23	8.73	9.34	8.4	6.1	8.7
Wood	10.24	11.08	11.92	12.39	8.2	7.6	5.7
Furniture	9.10	9.50	10.08	10.62	4.4	6.1	6.8
Paper	16.04	16.74	17.30	18.17	4.4	3.3	5.6
Printing and publishing	13.90	14.25	15.65	17.06	2.5	9.8	11.1
Primary metals	15.77	17.11	18.21	18.98	8.5	6.4	4.5
Fabricated metal products	11.96	12.70	13.70	13.52	6.2	7.9	0.2
Machinery	12.24	13.13	13.71	13.78	7.3	4.4	1.5
Transportation equipment	13.60	14.43	15.26	15.66	6.1	5.8	4.0
Electrical and electronic products	12.23	13.31	14.20	14.32	8.8	6.7	0.8
Non-metallic mineral products	12.86	13.60	14.38	15.02	5.8	5.7	5.3
Petroleum products	13.62	13.10	13.35	13.86	-3.8	1.9	7.0
Chemical products	13.10	13.94	15.13	16.39	6.4	8.5	10.7
Miscellaneous manufacturing	8.89	9.18	9.97	9.69	3.3	8.6	-1.9
Durable goods	12.20	13.09	14.05	14.48	7.3	7.3	4.2
Non-durable goods	11.54	12.17	12.75	13.53	5.5	4.8	7.3
TOTAL	**11.84**	**12.59**	**13.32**	**13.92**	**6.3**	**5.8**	**5.8**

SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Catalogue No. 72-002, August 1991), SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE HOURLY EARNINGS
MANUFACTURING
JUNE 1991

INDUSTRY	QUÉBEC	ONTARIO	CANADA	U.S. (1) (C $)	QUÉ./CAN.	QUÉ./ONT.	QUÉ./U.S.
	(dollars)				(percentage)		
Food and beverages	13.37	14.06	13.36	11.35	100.1	95.1	117.8
Tobacco products	27.16	27.23	27.17	21.02	100.0	99.7	129.2
Rubber and plastics products	11.51	12.59	12.66	11.53	90.9	91.4	99.8
Leather	8.68	9.51	9.04	8.17	96.0	91.3	106.2
Textiles	10.78	14.42	12.32	9.47	87.5	74.8	113.8
Knitting mills	8.27	8.73	8.43	n/a	98.1	94.7	—
Clothing	9.28	9.01	8.93	n/a	103,9	103.0	—
Wood	12.24	12.68	15.00	10.68	81.6	96.5	114.6
Furniture	10.76	11.30	10.93	10.00	98.4	95.2	107.6
Paper	18.47	18.14	19.18	14.47	96.3	101.8	127.6
Printing and publishing	16.83	13.52	14.53	13.08	115.8	124.5	128.7
Primary metals	18.64	18.79	18.74	15.23	99.5	99.2	122.4
Fabricated metal products	13.22	14.78	14.76	12.82	89.6	89.4	103.1
Machinery	13.60	15.54	15.05	13.92	90.4	87.5	97.7
Transportation equipment	15.81	18.58	17.76	16.95	89.0	85.1	93.3
Electrical and electronic products	14.49	14.06	14.25	12.28	101.7	103.1	118.0
Non-metallic mineral products	14.88	16.22	15.69	13.04	94.8	91.7	114.1
Petroleum products	14.17	18.57	17.35	19.26	81.7	76.3	73.6
Chemical products	16.38	16.65	16.52	16.08	99.2	98.4	101.9
Miscellaneous manufacturing	9.89	12.79	11.82	10.16	83.7	77.3	97.3
Durable goods	14.38	16.41	15.87	13.45	90.6	87.6	106.9
Non-durable goods	13.67	14.31	14.21	11.93	96.2	95.5	114.6
TOTAL	**13.98**	**15.50**	**15.05**	**12.80**	**92.9**	**90.2**	**109.2**

(1) Conversion rate: C $ 1.1437 = US $ 1.00 (June 1991 average).

n/a: Not available.

SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Catalogue No. 72-002, August 1991), SIC, 1970.
U.S. Department of Commerce, *Survey of Current Business*, August 1991.
Bank of Canada Review, August 1991.
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE WEEKLY EARNINGS IN MANUFACTURING (INCLUDING OVERTIME)
ALL EMPLOYEES
QUÉBEC
1988-1991

INDUSTRY	1988	1989	1990	1991 (8 months)	1989/1988	1990/1989	1991/1990 (8 months)
	(dollars)				(percentage change)		
Food and beverages	494.10	512.89	532.43	555.56	3.8	3.8	5.3
Tobacco products	8[illegible]6.66	882.67	934.27	1 008.12	8.1	5.8	10.6
Rubber and plastics products	450.87	481.75	501.26	497.81	6.8	4.0	-0.7
Leather	327.29	340.37	361.32	379.88	4.0	6.2	7.8
Textiles	436.56	455.25	463.79	486.34	4.3	1.9	5.2
Knitting mills	339.03	358.61	374.14	379.35	5.8	4.3	1.6
Clothing	307.05	333.38	354.59	368.18	8.6	6.4	5.6
Wood	436.46	463.44	494.35	530.64	6.2	6.7	9.9
Furniture	379.43	402.27	418.15	432.98	6.0	3.9	5.2
Paper	667.99	698.82	716.34	746.76	4.6	2.5	5.2
Printing and publishing	538.23	545.51	593.77	611.85	1.4	8.8	4.7
Primary metals	684.56	733.51	785.01	799.79	7.2	7.0	3.0
Fabricated metal products	497.63	524.57	565.65	557.61	5.4	7.8	0.1
Machinery	542.46	583.93	624.03	621.55	7.6	6.9	0.9
Transportation equipment	620.01	652.02	684.73	712.77	5.2	5.0	5.8
Electrical and electronic products	583.23	613.59	652.40	660.65	5.2	6.3	1.6
Non-metallic mineral products	553.81	584.14	613.83	614.44	5.5	5.1	0.2
Petroleum products	820.76	879.71	906.01	906.44	7.2	3.0	-0.5
Chemical products	612.74	644.56	698.68	723.48	5.2	8.4	4.4
Miscellaneous manufacturing	390.85	410.69	474.63	485.96	5.1	15.6	4.5
Durable goods	541.83	575.23	615.20	631.07	6.2	6.9	4.0
Non-durable goods	482.64	508.63	536.99	560.34	5.4	5.6	5.6
TOTAL	**507.65**	**537.19**	**569.33**	**589.23**	**5.8**	**6.0**	**4.9**

SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Catalogue No. 72-002), SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

PERSON-DAYS LOST IN WORK STOPPAGES
MANUFACTURING
QUÉBEC
1988-1991

INDUSTRY	1988	1989	1990	1991 (9 months)	1989/1988	1990/1989	1991/1990 (9 months)
	(number)				(percentage change)		
Food and beverages	8 887	34 834	11 556	13 506	292.0	-66.8	51.3
Tobacco products	0	0	0	0	—	—	—
Rubber and plastics products	4 710	23 709	1 344	6 272	403.4	-94.3	366.7
Leather	75	0	1 380	0	—	—	—
Textiles	10 844	10 766	8 446	7 751	-0.7	-21.5	1462.7
Knitting mills	0	0	0	0	—	—	—
Clothing	16 776	6 980	13 914	3 293	-58.4	99.3	-72.5
Wood	51 504	29 351	49 035	30 828	-43.0	67.1	-4.9
Furniture	25 527	14 659	2 544	1 610	-42.6	-82.6	-36.7
Paper	38 705	8 385	131 985	7 779	-78.3	1474.1	-86.6
Printing and publishing	7 875	4 095	0	4 600	-48.0	—	—
Primary metals	41 256	2 859	104 043	23 750	-93.1	3539.1	-64.6
Fabricated metal products	27 036	21 168	28 767	14 086	-21.7	35.9	-41.8
Machinery	10 520	22 015	4 902	1 749	109.3	-77.7	-60.9
Transportation equipment	5 741	14 305	56 338	1 560	149.2	293.8	-94.7
Electrical and electronic products	26 227	36 477	1 635	8 202	39.1	-95.5	943.5
Non-metallic mineral products	3 074	28 933	12 588	10 708	841.2	-56.5	16.7
Petroleum products	0	1 130	0	0	—	—	—
Chemical products	102 872	7 758	3 823	563	-92.5	-50.7	-78.2
Miscellaneous manufacturing	242	11 209	1 210	532	4531.8	-89.2	-56.0
TOTAL	**381 871**	**278 633**	**433 510**	**136 789**	**-27.0**	**55.6**	**-46.6**

SOURCES: Ministère du Travail du Québec, *Grèves et lock-out au Québec*, SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

LABOUR DISPUTES
MANUFACTURING SECTOR
QUÉBEC
1988-1991

INDUSTRY	PERCENTAGE OF ESTIMATED WORKING DAYS				PERSON-DAYS LOST
	1988	1989	1990	1991 (8 months)	1991 (8 months)
Food and beverages	0.1	0.2	0.1	0.1	11 506
Tobacco products	0.0	0.0	0.0	0.0	0
Rubber and plastics products	0.1	0.5	0.0	0.2	4 672
Leather	0.0	0.0	0.1	0.0	0
Textiles	0.2	0.2	0.1	0.2	7 571
Knitting mills	0.0	0.0	0.0	0.0	0
Clothing	0.1	0.1	0.1	0.0	3 293
Wood	0.7	0.4	0.8	0.8	30 378
Furniture	0.5	0.3	0.1	0.1	1 610
Paper	0.3	0.1	1.2	0.1	5 779
Printing and publishing	0.1	0.0	0.0	0.1	3 600
Primary metals	0.6	0.0	1.7	0.6	21 250
Fabricated metal products	0.3	0.2	0.3	0.3	13 288
Machinery	0.2	0.4	0.1	0.1	1 749
Transportation equipment	0.1	0.1	0.5	0.0	1 560
Electrical and electronic products	0.3	0.4	0.0	0.1	5 581
Non-metallic mineral products	0.1	0.8	0.4	0.5	8 716
Petroleum products	0.0	0.1	0.0	0.0	0
Chemical products	1.5	0.1	0.1	0.0	563
Miscellaneous manufacturing	0.0	0.2	0.0	0.0	532
Durable goods	0.3	0.3	0.5	0.4	84 132
Non-durable goods	0.2	0.1	0.2	0.1	37 516
TOTAL	**0.3**	**0.2**	**0.3**	**0.2**	**121 648**

SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Catalogue No. 72-002), SIC, 1970.
Ministère du Travail du Québec and special compilations, SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

CAPACITY UTILIZATION RATES
CANADA
1988-1991

INDUSTRY	1988	1989	1990	1991 1st qtr	1991 2nd qtr
			(percentage)		
Food	82.2	80.3	79.5	77.4	77.7
Beverages	81.4	78.8	77.5	73.7	73.2
Tobacco products	76.2	71.8	67.2	69.1	66.3
Rubber products	93.1	90.3	77.8	65.6	66.9
Plastics products	86.0	81.2	70.3	60.0	63.5
Leather	77.1	76.1	69.7	58.6	60.6
Primary textiles	89.8	86.2	71.5	64.2	66.1
Textiles products	83.5	79.1	71.2	62.8	63.1
Clothing	83.7	80.1	69.4	60.4	60.2
Wood	89.9	84.8	75.9	63.1	68.2
Furniture	78.4	80.8	70.1	64.1	65.0
Paper	94.9	89.9	83.1	82.9	80.2
Printing and publishing	85.5	82.3	72.8	64.0	63.1
Primary metals	94.8	92.2	82.7	76.7	79.1
Fabricated metal products	79.1	80.0	75.0	66.2	67.0
Machinery	79.9	76.5	70.0	60.2	56.1
Transportation equipment	82.5	78.8	71.4	61.3	65.5
Electrical and electronic products	91.1	87.2	78.6	73.7	75.3
Non-metallic mineral products	89.4	88.3	78.8	61.2	66.8
Petroleum products	90.3	91.1	90.4	83.7	87.5
Chemical products	91.7	91.6	87.9	82.3	83.6
Miscellaneous manufacturing	77.9	74.9	69.4	63.8	65.9
Durable goods	85.5	82.9	75.1	66.1	68.6
Non-durable goods	87.2	84.6	79.1	74.3	74.3
TOTAL	**86.4**	**83.8**	**77.1**	**70.1**	**71.3**

SOURCES: Statistics Canada, *Capacity Utilization Rates in Canadian Manufacturing* (Catalogue No. 31-003).
Direction de l'analyse de la conjoncture industrielle, MICT.

CAPITAL EXPENDITURES IN MANUFACTURING BY INDUSTRY QUÉBEC 1988-1991

INDUSTRY	1988	1989	1990 (1)	1991 (2)	1989/1988	1990/1989	1991/1990
		(millions of dollars)				(percentage change)	
Food and beverages	328.6	304.2	358.5	313.7	-7.4	17.9	-12.5
Tobacco products	‡	‡	‡	‡	—	—	—
Rubber	88.8	101.5	127.5	60.5	14.3	25.6	-52.5
Leather	5.7	3.8	8.8	8.2	-33.3	131.6	-6.8
Textiles	91.1	91.6	105.0	78.9	0.5	14.6	-24.9
Knitting mills	21.2	19.6	16.5	10.0	-7.5	-15.8	-39.4
Clothing	24.8	36.8	20.6	24.5	48.4	-44.0	18.9
Wood	181.7	156.6	85.3	115.5	-13.8	-45.5	35.4
Furniture	29.3	22.8	14.6	12.9	-22.2	-36.0	-11.6
Paper	992.4	1 427.8	1 127.8	1 019.3	43.9	-21.0	-9.6
Printing and publishing	81.0	82.8	81.8	88.9	2.2	-1.2	8.7
Primary metals	683.9	1 278.2	1 896.6	1 937.2	86.9	48.4	2.1
Fabricated metal products	109.3	99.0	76.4	64.0	-9.4	-22.8	-16.2
Machinery	142.4	152.0	158.4	151.0	6.7	4.2	-4.7
Transportation equipment	496.1	427.8	350.3	357.2	-13.8	-18.1	2.0
Electrical and electronic products	159.3	193.1	191.2	208.1	21.2	-1.0	8.8
Non-metallic mineral products	126.3	142.3	195.7	78.3	12.7	37.5	-60.0
Petroleum products	104.8	264.1	211.9	114.3	152.0	-19.8	-46.1
Chemical products	364.9	549.6	543.2	372.4	50.6	-1.2	-31.4
Miscellaneous manufacturing	‡	‡	‡	‡	—	—	—
Durable goods	1 928.3	2 471.8	2 968.5	2 924.2	28.2	20.1	-1.5
Non-durable goods	2 175.0	2 976.9	2 673.8	2 158.1	36.9	-10.2	-19.3
Capitals goods charged to operating expenses	462.6	582.3	623.7	584.1	—	—	—
TOTAL	**4 565.9**	**6 031.0**	**6 266.0**	**5 666.4**	**32.1**	**3.9**	**-9.6**

(1) Preliminary.
(2) Forecast.
‡ Confidential data.
SOURCES: Statistics Canada, *Private and Public Investment in Canada* (Catalogue No. 61-205), SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

RESEARCH AND DEVELOPMENT EXPENDITURES QUÉBEC AND CANADA 1987-1991

	1987	1988	1989	1990[(1)]	1991 [(1)]
	(millions of dollars)				
QUÉBEC					
Main sectors					
Transportation equipment	307	317	342	370	380
Electrical and electronic products	226	231	222	235	255
Chemical products	78	96	123	150	165
Manufacturing	793	836	881	955	1 000
All industries	1 105	1 173	1 280	1 385	1 455
CANADA					
Manufacturing	2 932	3 202	3 245	3 441	3 626
All industries	4 213	4 543	4 667	4 931	5 225
QUÉBEC/CANADA RATIOS					
Manufacturing	27.0	26.1	27.1	27.8	27.6
All industries	26.2	25.8	27.4	28.1	27.8

(1) Estimates (data respecting Québec).

SOURCES: Statistics Canada, *Industrial Research and Development Statistics 1989* (Catalogue No. 88-202).
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE ANNUAL RATES OF CHANGE IN LABOUR PRODUCTIVITY
MAIN INDUSTRIALIZED COUNTRIES
MANUFACTURING
(percentage change)

COUNTRY	1960-1973	1973-1979	1979-1990 (1)
Canada	4.5	2.1	1.4
United States	3.3	1.4	3.1
Japan	10.2	5.0	4.1
EEC			
Belgium	6.9	6.0	4.9
France	6.4	4.6	3.2
West Germany	5.6	4.2	2.0
Italy	6.4	5.7	3.9
Netherlands	7.4	5.5	3.2
United Kingdom	4.2	1.2	4.4
Denmark	6.4	4.2	1.1
OTHER COUNTRIES			
Norway	4.7	2.1	2.4
Sweden	6.4	2.6	2.0

(1) For Belgium, data for 1990 are not available.

SOURCES: Bureau of Labor Statistic, U.S. Department of Labor, *International Comparisons of Manufacturing Productivity and Labor Costs Trends 1990*, August 1991.
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE ANNUAL RATES OF CHANGE IN UNIT LABOUR COSTS MAIN INDUSTRIALIZED COUNTRIES MANUFACTURING

(percentage change)

COUNTRY	1979-1990 (1)	1979-1990 (2)	1979-1988 (1)	1979-1988 (2)	1989 (1)	1989 (2)	1990 (1)	1990 (2)
Canada	5.4	5.4	5.5	4.9	5.6	9.7	4.1	5.7
United States	2.1	2.1	2.1	2.1	3.0	3.0	0.7	0.7
Japan	0.3	4.1	0.1	6.2	0.8	-6.4	1.4	-3.5
EEC								
Belgium	1.0	-1.9	0.7	-1.8	4.1	-2.9	n/a	n/a
France	5.2	2.9	6.2	2.3	-0.6	-7.2	2.8	20.5
West Germany	3.3	4.5	3.7	4.2	0.2	-6.4	2.3	19.1
Italy	7.9	4.4	8.1	2.9	6.2	0.8	7.5	23.1
Netherlands	0.6	1.5	0.8	0.9	-1.8	-8.5	1.3	18.0
United Kingdom	4.9	3.3	4.7	2.7	3.5	-4.8	8.9	18.6
Denmark	5.3	3.8	6.0	3.1	2.2	-5.9	2.6	21.4
OTHER COUNTRIES								
Norway	6.5	4.5	7.5	4.5	0.5	-5.2	3.5	14.4
Sweden	6.6	3.6	6.2	2.0	8.8	3.4	8.7	18.4

n/a: Not available.
(1) Expressed in the domestic currency.
(2) Expressed in U.S. dollars.
SOURCES: Bureau of Labor Statistics, U.S. Department of Labor, *International Comparisons of Manufacturing Productivity and Labor Costs Trends 1990*, August 1991.
Direction de l'analyse de la conjoncture industrielle, MICT.

BANKRUPTCIES IN THE MANUFACTURING SECTOR QUÉBEC, ONTARIO, CANADA 1988-1991

	1988	1989	1990	1991 (9 months)	1989/1988	1990/1989	1991/1990 (9 months)
NUMBER						(percentage change)	
Québec	262	317	443	409	21.0	39.7	30.7
Ontario	166	167	300	245	0.6	79.6	23.7
Canada	656	691	986	882	5.3	42.7	29.1
Qué./Can. %	39.9	45.9	44.9	46.4			
Ont./Can. %	25.3	24.2	30.4	27.8			
LIABILITIES ($ 000)							
Québec	99 552	213 581	209 236	226 405	114.5	-2.0	81.6
Ontario	63 494	86 677	200 838	151 719	36.5	131.7	15.0
Canada	241 983	378 084	486 252	487 326	56.2	28.6	64.2
Qué./Can. %	41.1	56.5	43.0	46.5			
Ont./Can. %	26.2	22.9	41.3	31.1			

SOURCES: Consumer and Corporate Affairs Canada, Office of the Superintendent of Bankruptcy, *Insolvency Bulletin*.
Direction de l'analyse de la conjoncture industrielle, MICT.

CONSUMER PRICE INDEX
ANNUAL CHANGES
1988-1991

	PROVINCE OF QUÉBEC				MONTRÉAL				QUÉBEC CITY			
	1988	**1989**	**1990**	**1991** (10 months)	**1988**	**1989**	**1990**	**1991** (10 months)	**1988**	**1989**	**1990**	**1991** (10 months)
ALL ITEMS	**3.7**	**4.2**	**4.3**	**6.4**	**3.8**	**4.4**	**4.2**	**6.3**	**3.5**	**4.0**	**4.2**	**6.6**
ALL ITEMS excluding food	4.0	4.4	4.5	7.4	4.2	4.5	4.5	7.5	3.7	4.1	4.6	7.3
ALL ITEMS exluding food and energy	4.2	4.7	4.0	7.6	4.4	4.8	4.0	7.9	3.9	4.2	4.1	7.6
Food	2.7	4.0	3.0	1.8	2.9	4.2	3.2	1.4	3.1	3.3	2.4	3.4
Energy	1.9	2.7	10.1	4.6	2.1	2.6	10.1	4.8	1.2	3.8	10.4	4.3
Housing	4.7	4.5	4.2	5.2	5.0	4.7	4.2	5.2	3.9	4.3	5.1	5.0
Clothing	4.5	3.3	2.8	14.3	4.4	3.4	2.8	14.3	4.7	3.1	2.8	14.7
Transportation	1.6	3.5	3.7	1.7	1.6	3.7	3.8	1.8	1.3	2.9	3.4	2.0
Health and personal care	4.0	4.4	4.4	7.6	4.0	4.3	4.3	7.9	4.3	4.5	4.4	6.1
Recreation, reading and education	4.5	4.1	4.5	9.3	4.5	4.1	4.9	10.1	4.2	3.6	3.9	10.0
Tobacco products and alcoholic beverages	4.7	7.9	11.0	21.3	4.7	7.8	11.0	21.5	4.8	7.3	11.0	19.0
GOODS												
Durable goods	3.6	4.3	0.4	0.4	3.5	4.5	0.3	0.8	3.7	4.1	0.4	0.4
Semi-durable goods	4.7	4.0	2.9	14.3	4.7	4.0	2.9	14.2	4.7	3.5	2.7	14.2
Non-durable goods	2.7	4.4	5.6	5.3	2.9	4.4	5.8	5.3	3.0	4.0	5.4	5.3
SERVICES	4.4	4.8	4.9	7.1	4.6	4.9	4.8	7.0	3.7	4.2	5.3	7.6

SOURCES: Statistics Canada, *Consumer Prices and Price Indexes* (Catalogue No. 62-010) and CANSIM.
Direction de l'analyse de la conjoncture industrielle, MICT.

SOURCES OF FINANCING CONSUMER SPENDING QUÉBEC 1988-1991

	1988	1989	1990	1991 2nd qtr	1989/1988	1990/1989	1991 2nd qtr/1st qtr
	(millions of dollars)				(percentage change)		
PERSONAL DISPOSABLE INCOME	91 458	99 400	105 464	109 279 (1)	8.7	6.1	0.8
CONSUMER CREDIT	16 360	17 614	18 462	18 422 (2)	7.7	4.8	0.5 (3)
PERSONAL SAVINGS	6 248	7 088	8 694	9 983 (1)	13.4	22.7	8.6

(1) Seasonally adjusted annualized quarterly data.

(2) Quarterly data.

(3) Half-year rate 1991/1990.

SOURCES: Bureau de la statistique du Québec, *Comptes économiques du Québec*.
Direction de l'analyse de la conjoncture industrielle, MICT.

PERSONAL CONSUMER SPENDING QUÉBEC 1988-1991

	1988	1989	1990	1991 2nd qtr (1)	1989/1988	1990/1989	1991 2nd qtr/1st qtr
	(millions of dollars)				(percentage change)		
GOODS	46 066	48 988	50 496	51 485	6.3	3.1	2.6
Durable goods	13 426	13 903	13 575	12 962	3.6	-2.4	7.1
Semi-durable goods	8 712	9 050	9 391	9 495	3.9	3.8	2.9
Non-durable goods	23 928	26 035	27 530	29 028	8.8	5.7	0.6
SERVICES	37 710	41 505	44 247	45 916	10.1	6.6	1.4
TOTAL GOODS AND SERVICES	**83 776**	**90 493**	**94 743**	**97 401**	**8.0**	**4.7**	**2.0**

(1) Seasonally adjusted annualized quarterly data.

SOURCES: Bureau de la statistique du Québec, *Comptes économiques du Québec*.
Direction de l'analyse de la conjoncture industrielle, MICT.

LEADING INDICATORS OF CONSUMER SPENDING
QUÉBEC
1988-1991

	Unit	1988	1989	1990	1991	1989/1988	1990/1989	1991/1990
							(percentage change)	
Savings rate	%	6.8	7.1	8.2	9.1 (1)	—	—	—
Total household debt ratio (5)	%	64.2	64.7	65.8	64.0 (1)	—	—	—
Housing starts	Number	50 581	41 859	40 249	34 100 (2)	-17.2	-3.8	-15.6
Personal bankruptcies	Number	9 779	11 154	13 922	13 643 (3)	14.1	24.8	42.5
Liabilities	$ 000	227 772	292 702	478 181	n/a	28.5	63.4	—
Index of consumer purchasing intentions (6)	1961=100							
I		137.00	104.36	98.92	77.64	-19.0	-1.8	1.8
II		151.65	96.57	78.62	87.12	-7.5	-20.5	12.2
III		113.44	109.82	71.31	93.69	13.7	-9.3	7.5
IV		128.88	100.70	76.26	n/a	-8.3	6.9	—
Official discount rate	%							
I		8.78	12.40	13.38	9.92	—	—	—
II		9.44	12.31	13.90	8.91	—	—	—
III		10.54	12.47	12.61	8.04 (4)	—	—	—
IV		11.17	12.47	11.78	n/a	—	—	—

n/a: Not available.

(1) Seasonally adjusted data, first quarter.

(2) Seasonally adjusted data, 10 months, communities with 10 000 or more residents.

(3) 9 months.

(4) Rate for the first week of November.

(5) Total household debt = consumer loans + residential mortgage loans.

(6) Change over the preceding quarter.

SOURCES: Bureau de la statistique du Québec, *Comptes économiques du Québec*; *Statistiques financières et générales*.
Statistics Canada, CANSIM.
Bank of Canada Review.
Consumer and Corporate Affairs Canada, Office of the Superintendent of Bankruptcy, *Insolvency Bulletin*.
Direction de l'analyse de la conjoncture industrielle, MICT.

WHOLESALE BY TRADE GROUPS
QUÉBEC, ONTARIO, CANADA
1988-1991

	1988/1987	1989/1988	1990/1989	1991/1990 (8 months)
		(percentage change)		
TOTAL SALES				
QUÉBEC	10.7	-1.9	-2.6	-7.5
ONTARIO	3.8	-2.5	-4.2	-3.4
CANADA	8.5	-0.8	-3.1	-6.4
SALES BY MAJOR TRADE GROUPS:				
Food, beverages, drug and tobacco products	-0.6	2.7	2.8	3.5
Apparel and dry goods	6.0	-6.3	-12.9	-7.3
Household goods	18.3	-8.9	-0.9	-10.9
Motor vehicles, parts and accessories	8.0	4.9	-2.7	-0.5
Metals, hardware, plumbing and heating equipment and supplies	14.4	-1.2	-14.9	-15.4
Lumber and building materials	6.4	-3.1	-8.3	-14.3
Farm machinery, equipment and supplies	2.5	-14.0	-7.9	-16.0
Other machinery, equipment and supplies (1)	20.2	2.5	-5.5	-12.6
Other products (2)	5.1	-6.7	3.6	-3.9

NOTE: Data published for 1991 exclude provincial sales taxes and the federal goods and services tax (GST). Data for preceding years include the federal sales tax, except in the case of licensed wholesalers. For this reason, 1991 data are not strictly comparable to data for previous years.

(1) Including construction, forest and mining machinery, equipment and supplies, electrical and electronic equipment, computers, n.e.s.

(2) Including farm products (excluding grain), paper and paper products, waste and refuse materials, animal feed, general merchandise, forest products and other n.e.s. products.

SOURCES: Statistics Canada, *Wholesale Trade* (Catalogue No. 63-008).
Direction de l'analyse de la conjoncture industrielle, MICT.

RETAIL SALES
QUÉBEC, ONTARIO, CANADA
1989-1991

	1989	1990	1991 (9 months)	1990/1989	1991/1990 (9 months)
	(millions of dollars)			(percentage change)	
QUÉBEC	47 444	47 760	32 688	0.7	-7.2
ONTARIO	71 327	71 251	47 767	-0.1	-7.6
CANADA	188 160	191 520	130 821	1.8	-6.3

NOTE: As of January 1, 1991, estimated retail sales exclude the goods and services tax (GST). Data prior to that time include the old federal sales tax. For this reason, 1991 data are not strictly comparable to those for previous years.

SOURCES: Statistics Canada, *Retail Trade* (Catalogue No. 63-005).
Direction de l'analyse de la conjoncture industrielle, MICT.

RETAIL SALES
QUÉBEC
1990-1991

TYPE OF BUSINESS	1990 I	1990 II	1990 III	1990 IV	1990 YEAR	1991 I	1991 II	1991 III	1991 TOTAL	1991/1990 I	1991/1990 II	1991/1990 III	1991/1990 TOTAL
	(millions of dollars)									(percentage change)			
DURABLE GOODS	**3 115**	**4 126**	**3 485**	**3 111**	**13 837**	**2 383**	**3 745**	**3 234**	**9 452**	**-23.5**	**-9.2**	**-4.6**	**-11.9**
Household furniture and appliances	525	594	562	638	2 320	309	447	486	1 242	-41.2	-24.8	-13.5	-26.2
Furniture and accessories	135	191	167	171	664	89	144	148	381	-34.1	-24.5	-11.5	-22.7
Motor and recreational vehicles	2 246	3 077	2 491	1 967	9 782	1 813	2 923	2 463	7 199	-19.3	-5.0	-1.1	-7.9
Car parts and accessories, service	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	—	—	—	—
Other durable goods stores	209	263	265	334	1 071	173	230	227	630	-17.4	-12.5	-14.4	-14.6
SEMI-DURABLE GOODS	**1 770**	**2 401**	**2 266**	**2 920**	**9 357**	**1 546**	**2 182**	**2 062**	**5 790**	**-12.7**	**-9.1**	**-9.0**	**-10.1**
Shoe stores	112	173	161	212	658	89	154	135	378	-20.6	-11.4	-16.0	-15.4
Menswear	98	151	112	183	544	72	125	97	294	-27.2	-17.4	-12.9	-18.7
Ladies' wear	221	301	269	293	1 084	164	250	236	650	-25.7	-17.0	-12.3	-17.8
Other clothing stores	247	337	325	419	1 328	226	314	290	829	-8.5	-6.9	-10.8	-8.7
General stores	773	1 005	996	1 360	4 133	734	990	967	2 692	-4.9	-1.4	-2.9	-2.9
Other semi-durable goods stores	320	433	403	454	1 610	261	349	337	947	-18.3	-19.4	-16.5	-18.1
NON-DURABLE GOODS	**4 140**	**4 473**	**4 525**	**4 667**	**17 806**	**4 222**	**4 474**	**4 387**	**13 082**	**2.0**	**0.0**	**-3.1**	**-0.4**
Supermarkets and grocery stores	2 781	2 948	2 985	3 038	11 752	2 865	3 087	2 985	8 936	3.0	4.7	-0.0	2.6
All other food stores	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	—	—	—	—
Drugstores and patented medicines	524	555	563	614	2 255	538	548	539	1 624	2.6	-1.3	-4.2	-1.0
Gas stations	835	971	978	1 016	3 799	819	840	863	2 521	-1.9	-13.5	-11.8	-9.4
OTHER RETAIL BUSINESSES	384	504	472	569	1 929	338	482	450	1 269	-12.0	-4.4	-4.7	-6.6
TOTAL RETAIL SALES	**10417**	**12805**	**11985**	**12553**	**47760**	**9384**	**12054**	**11251**	**32688**	**-9.9**	**-5.9**	**-6.1**	**-7.2**

n/a: Not available.

NOTES: Data in this table are presented solely for the purpose of comparing different types of businesses.
It is impossible to establish chronological comparisons. As of January 1, 1991, estimated retail
sales exclude the goods and services tax (GST). Data prior to that time include the old federal sales tax.
For this reason, 1991 data are not strictly comparable to those for previous years.
Totals may differ from sum of elements.

SOURCES: Statistics Canada, *Retail Trade* (Catalogue No. 63-005).
Direction de l'analyse de la conjoncture industrielle, MICT.

EMPLOYMENT IN THE TRADE SECTOR
QUÉBEC
1988-1991

	1988	1989	1990	1991 (10 months)	1989/1988	1990/1989	1991/1990 (10 months)
	(thousands)				(percentage change)		
WHOLESALE TRADE							
EMPLOYMENT							
Total	127.8	146.3	149.0	146.5	14.5	1.8	-4.1
Men	94.0	106.3	112.3	106.2	13.1	5.6	-7.9
Women	34.0	40.3	36.6	40.4	18.5	-9.2	8.3
FULL-TIME EMPLOYMENT							
Total	120.0	137.0	141.5	138.0	14.2	3.3	-5.1
Men	90.0	102.5	109.6	101.8	13.9	6.9	-9.7
Women	30.0	34.5	31.9	36.2	15.0	-7.5	10.7
PART-TIME EMPLOYMENT							
Total	8.0	9.4	7.5	8.6	17.5	-20.2	14.7
Men	4.0	3.8	3.0	4.4	-5.0	-21.1	46.7
Women	4.0	5.7	4.5	4.2	42.5	-21.1	-6.7
RETAIL TRADE							
EMPLOYMENT							
Total	384.9	392.3	395.9	388.7	1.9	0.9	-1.0
Men	207.0	214.1	210.7	198.3	3.4	-1.6	-4.9
Women	178.0	178.2	185.0	190.3	0.1	3.8	3.5
FULL-TIME EMPLOYMENT							
Total	290.0	295.3	300.0	288.4	1.8	1.6	-3.4
Men	173.0	178.7	178.6	163.9	3.3	-0.1	-7.8
Women	117.0	116.7	121.4	124.5	-0.3	4.0	2.9
PART-TIME EMPLOYMENT							
Total	95.0	97.1	95.8	100.1	2.2	-1.3	6.5
Men	34.0	35.5	32.2	34.5	4.4	-9.3	11.3
Women	61.0	61.6	63.7	65.6	1.0	3.4	4.1
TRADE SECTOR AS A WHOLE							
EMPLOYMENT							
Total	512.7	538.5	544.8	535.2	5.0	1.2	-1.9
Men	301.1	320.2	323.2	304.7	6.3	0.9	-6.0
Women	211.6	218.6	221.7	230.6	3.3	1.4	4.2
FULL-TIME EMPLOYMENT							
Total	409.9	432.3	441.5	426.4	5.5	2.1	-3.9
Men	263.2	281.1	288.2	265.8	6.8	2.5	-8.4
Women	146.8	151.2	153.5	160.7	3.0	1.5	4.4
PART-TIME EMPLOYMENT							
Total	102.8	106.5	103.2	108.7	3.6	-3.1	7.3
Men	37.9	39.1	34.8	39.0	3.2	-11.0	15.7
Women	64.9	67.3	68.3	70.0	3.7	1.5	3.6

SOURCES: Statistics Canada, *The Labour Force* (Catalogue No. 71-001) and special compilations.
Direction de l'analyse de la conjoncture industrielle, MICT.

AVERAGE EARNINGS IN THE TRADE SECTOR
QUÉBEC
1988-1991

	1988	1989	1990	1991 (8 months)	1989/1988	1990/1989	1991/1990 (8 months)
	(dollars)				(percentage change)		
AVERAGE WEEKLY EARNINGS (1)							
WHOLESALE TRADE	449.50	467.76	491.55	508.79	4.1	5.1	4.5
RETAIL TRADE	279.95	288.48	306.78	313.35	3.0	6.3	3.1
AVERAGE HOURLY EARNINGS (2)							
WHOLESALE TRADE	9.66	9.78	10.85	10.73	1.2	10.9	-0.1
RETAIL TRADE	8.17	8.39	8.96	9.39	2.7	6.8	6.5

(1) For all employees, including overtime.
(2) For employees paid by the hour, including overtime.
SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Catalogue No. 72-002), SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

PERSON-DAYS LOST IN WORK STOPPAGES AND NUMBER OF WORKERS INVOLVED TRADE SECTOR QUÉBEC 1988-1991

	1988	1989	1990	1991 (9 months)	1989/1988	1990/1989	1991/1990 (9 months)
	(number)				(percentage change)		
WHOLESALE TRADE							
Person-days lost	36 538	38 577	15 633	26 407	5.6	-59.5	77.7
Workers involved	1 027	805	546	731	-21.6	-32.2	37.1
Average duration	35.6	47.9	28.6	36.1			
RETAIL TRADE							
Person-days lost	77 211	124 460	100 665	40 282	61.2	-19.1	-28.5
Workers involved	1 642	2 394	1 612	1 344	45.8	-32.7	39.9
Average duration	47.0	52.0	62.4	30.0			
TRADE SECTOR AS A WHOLE							
Person-days lost	113 749	163 037	116 298	66 689	43.3	-28.7	-6.3
Workers involved	2 669	3 199	2 158	2 075	19.9	-32.5	38.9
Average duration	42.6	51.0	53.9	32.1			

SOURCES: Ministère du Travail du Québec, *Grèves et lock-out au Québec.*
Direction de l'analyse de la conjoncture industrielle, MICT.

LABOUR DISPUTES TRADE SECTOR QUÉBEC 1988-1991

	PERCENTAGE OF ESTIMATED WORKING DAYS				PERSON-DAYS LOST
	1988	1989	1990	1991 (8 months)	1991 (8 months)
Wholesale trade	0.1	0.1	0.0	0.1	25 057
Retail trade	0.1	0.2	0.1	0.1	37 995
Trade sector as a whole	0.1	0.1	0.1	0.1	63 052

SOURCES: Statistics Canada, *Employment, Earnings and Hours* (Catalogue No. 72-002).
Ministère du Travail du Québec, special compilations; SIC, 1970.
Direction de l'analyse de la conjoncture industrielle, MICT.

CAPITAL EXPENDITURES
TRADE AND COMMERCIAL SERVICES
QUÉBEC
1988-1991

INDUSTRY	1988	1989	1990 (1)	1991 (2)	1989/1988	1990/1989	1991/1990
	(millions of dollars)				(percentage change)		
TRADE - TOTAL	**572.2**	**618.3**	**543.0**	**594.1**	**8.1**	**-12.2**	**9.4**
Wholesale stores	228.3	286.4	224.6	221.3	25.4	-21.6	-1.5
Department stores	22.0	31.6	28.6	34.7	43.6	-9.5	21.3
Motor vehicles, sales and service	151.0	129.9	126.2	205.8	-14.0	-2.8	63.1
Grocery stores	31.4	27.9	36.5	21.8	-11.1	30.8	-40.3
Other chain stores	69.5	73.8	84.0	63.8	6.2	13.8	-24.0
Other independent stores	70.0	68.7	43.1	46.7	-1.9	-37.3	8.4
COMMERCIAL SERVICES - TOTAL	**2 513.7**	**2 623.8**	**2 248.9**	**2 335.2**	**4.4**	**-14.3**	**3.8**
Personal services	2.7	3.8	1.8	3.8	40.7	-52.6	111.1
Entertainment and leisure	9.3	6.4	18.4	15.0	-31.2	187.5	-18.5
Hotels and restaurants	209.4	218.9	147.1	168.6	4.5	-32.8	14.6
Other commercial services	2 292.3	2 394.7	2 081.6	2 147.8	4.5	-13.1	3.2
TOTAL - TRADE AND COMMERCIAL SERVICES	**3 085.9**	**3 242.1**	**2 791.9**	**2 929.3**	**5.1**	**-13.9**	**4.9**

(1) Preliminary.
(2) Forecast.
SOURCES: Bureau de la statistique du Québec, *Investissements privés et publics au Québec*.
Direction de l'analyse de la conjoncture industrielle, MICT.

BUSINESS BANKRUPTCIES IN THE TRADE SECTOR
QUÉBEC, ONTARIO, CANADA
1988-1991

	1988	1989	1990	1991 (9 months)	1989/1988	1990/1989	1991/1990 (9 months)
						(percentage change)	
NUMBER							
Québec	1 217	1 287	1 631	1 308	5.8	26.7	7.2
Ontario	502	519	909	818	3.4	75.1	27.0
Canada	2 473	2 652	3 509	2 946	7.2	32.3	14.5
Qué./Can. %	49.2	48.5	46.5	44.4			
Ont./Can. %	20.3	19.6	25.9	27.8			
LIABILITIES ($ 000)							
Québec	236 640	242 165	447 327	332 231	2.3	84.7	-0.1
Ontario	78 530	101 924	253 194	471 577	29.8	148.4	190.8
Canada	464 341	472 993	989 766	995 656	1.9	109.3	43.0
Qué./Can. %	51.0	51.2	45.2	33.4			
Ont./Can. %	16.9	21.5	25.6	47.4			

SOURCES: Consumer and Corporate Affairs Canada, Office of the Superintendent of Bankruptcy, *Insolvency Bulletin*.
Direction de l'analyse de la conjoncture industrielle, MICT.

ECONOMIC INDICATORS BY ADMINISTRATIVE REGION 1990-1991

REGION	TOTAL EMPLOYMENT 1990	TOTAL EMPLOYMENT 1991 (10 months)	MANUFACTURING EMPLOYMENT 1990	MANUFACTURING EMPLOYMENT 1991 (9 months)	UNEMPLOYED 1990	UNEMPLOYED 1991 (10 months)	CAPITAL SPENDING (1) 1990	CAPITAL SPENDING (1) 1991
	(thousands)		(thousands)		(thousands)		(millions of dollars)	
Bas-Saint-Laurent	78.6	81.9	9.2	9.2	11.6	13.5	648.6	564.4
Saguenay — Lac-Saint-Jean	118.8	116.7	21.7	20.5	17.3	20.4	1 175.5	916.4
Québec and Chaudière-Appalaches	441.0	436.3	60.6	55.9	38.2	43.0	3 682.3	4 133.3
Mauricie — Bois-Francs	197.9	192.0	48.0	45.4	23.8	27.3	2 187.1	2 221.0
Estrie	120.6	113.8	25.4	23.8	11.9	15.9	964.5	1 084.5
Montréal and Laval	968.4	943.3	194.2	175.4	118.3	145.3	8 538.1	9 117.5
Outaouais	134.3	138.5	10.6	10.4	12.6	14.1	1 231.9	1 453.2
Abitibi-Témiscamingue	58.3	59.3	6.9	6.6	8.9	9.1	843.8	898.0
Côte-Nord and Nord-du-Québec	49.8	46.6	9.4	8.0	6.1	8.0	2 468.1	2 478.0
Gaspésie — Îles-de-la-Madeleine	32.2	31.5	(2)	(2)	8.1	7.4	349.1	270.5
Lanaudière	134.8	133.8	27.2	23.9	13.6	16.5	1 236.9	1 248.0
Laurentides	153.2	152.4	25.9	25.8	18.5	24.3	1 981.3	2 156.9
Montérégie	567.1	549.5	140.8	125.0	55.8	63.6	5 015.0	4 526.4
ALL ADMINISTRATIVE REGIONS	**3 054.8**	**2 996.0**	**583.3**	**533.3**	**344.5**	**408.1**	**30 322.3**	**31 068.0**

(1) Preliminary estimates (1990) and forecasts (1991).

(2) Less than 4 000.

SOURCES: Statistics Canada, *The Labour Force* (Catalogue No. 71-001).
Bureau de la statistique du Québec, *Investissements privés et publics au Québec.*
Direction de l'analyse de la conjoncture industrielle, MICT.

COMPARISON OF ECONOMIC PERFORMANCE BY ADMINISTRATIVE REGION
1990-1991
(changes or rates as a percentage)

REGION	TOTAL EMPLOYMENT		MANUFACTURING EMPLOYMENT		UNEMPLOYED		CAPITAL SPENDING (1)	
	1990/1989	1991/1990 (10 months)	1990/1989	1991/1990 (9 months)	1990	1991 (10 months)	1990/1989	1991/1990
Bas-Saint-Laurent	5.1	3.1	-9.8	-7.1	12.8	14.2	14.9	-13.0
Saguenay — Lac-Saint-Jean	4.9	-2.3	-1.4	-6.8	12.7	14.9	-9.9	-22.0
Québec and Chaudière-Appalaches	2.8	-1.2	3.2	-6.8	8.0	9.0	2.7	12.2
Mauricie — Bois-Francs	-0.5	-3.6	-8.6	-6.0	10.7	12.4	11.9	1.5
Estrie	-0.4	-6.3	-9.6	-9.2	9.0	12.2	10.3	12.4
Montréal and Laval	-1.2	-3.3	-16.1	-10.4	10.9	13.3	-3.6	6.8
Outaouais	3.7	3.4	-13.1	-1.0	8.6	9.3	-3.9	18.0
Abitibi-Témiscamingue	-7.6	1.7	3.0	-7.0	13.3	13.3	-26.8	6.4
Côte-Nord and Nord-du-Québec	4.4	-6.4	17.5	-16.7	10.9	14.7	57.7	0.4
Gaspésie — Îles-de-la-Madeleine	-10.1	-4.0	(2)	(2)	20.1	18.9	19.7	-22.5
Lanaudière	0.7	-1.5	-6.5	-12.5	9.2	11.0	-3.9	0.9
Laurentides	-0.3	-1.2	-15.1	-4.8	10.8	13.7	-0.9	8.9
Montérégie	2.8	-3.8	6.5	-11.9	9.0	10.4	3.6	-9.7
ALL ADMINISTRATIVE REGIONS	**0.8**	**-2.5**	**2.3**	**-6.3**	**10.1**	**12.0**	**2.6**	**2.5**

(1) Preliminary estimates (1990) and forecasts (1991).

(2) Changes not available as less than 4 000 jobs are involved.

SOURCES: Statistics Canada, *The Labour Force* (Catalogue No. 71-001).
Bureau de la statistique du Québec, *Investissements privés et publics au Québec*.
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